

And Central

CUB

UNIVERSITY OF LONDON LIBRARY

Lovell

for CONSTRUCTION

FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

Monday May 19 1980

No. 28,170

***20p

for **steel**
ring **samson**
HE
colnbrook 3131

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 26; DENMARK Kr 5.00; FRANCE Fr 4; GERMANY DM 2.0; ITALY L 700; NETHERLANDS Fl 2.0; NORWAY Kr 5.00; PORTUGAL Esc 20; SPAIN Ptas 70; SWEDEN Kr 5.00; SWITZERLAND Fr 2.0; DRE 20p; MALTA 20c

NEWS SUMMARY

GENERAL

BUSINESS

Soccer bribes lead to ban

Italy's most popular footballer, Paolo Rossi, has been banned from playing for three years by the national Football Association following an investigation into a nationwide bribery scandal.

The association has also relegated the 1979 League champions, AC Milan, to the Second Division for its part in the affair, and suspended other players. Rossi's ban rules him out of the European Nations Cup finals which take place in Italy next month.

Players and club officials involved were said to have received money from gamblers in return for fixing some League match results.

Uganda Cabinet

Uganda's ruling military commission has appointed a new cabinet which strengthens former President Milton Obote's party. Page 3

New government

King Baudouin of Belgium has named a new government led by Prime Minister Wilfried Martens, ending a five-week-old political crisis.

Martial law

The Army has taken control of South Korea with the imposition of martial law following violent student demonstrations. Page 3

Sadat plan

Egypt's President Sadat has presented Israel with proposals for reopening negotiations for Palestinian autonomy for the West Bank and Gaza Strip. Page 2

China's rocket

China successfully launched an inter-continental rocket 8,000 miles into the Pacific. Page 3

Peru elections

Peru went to the polls to elect a civilian government after 12 years of military dictatorship.

Riots kill 10

At least 10 people died during riots in Miami which began after four white ex-politicians had been cleared of killing a black man.

UN death theory

A new investigation into the death of former United Nations Secretary-General Dag Hammarskjöld says that his plane was attacked by white mercenaries in Africa.

£1m fires

Ferret fires throughout Britain during the past five weeks have caused damage of more than £1m. Page 6

Jet found

Divers have found the wreck of the RAF Hawk jet which crashed into the sea off Brighton during a display, but recovery is expected to take several days.

£30m probes

City of London Police dealt with allegations of major frauds involving about £30m last year. Page 8

Briefly

Banned motorists should take driving tests before being allowed back onto the roads, the British Safety Council says. Mail, Telex and some telephone charges in the Irish Republic rise by up to 20 per cent today. Carlos Reutemann of Argentina won the Monaco Grand Prix in a Williams.

TUC to study CBI draft

TUC officials are studying the draft of a framework agreement submitted by the CBI on the introduction of new technology into companies. Back Page

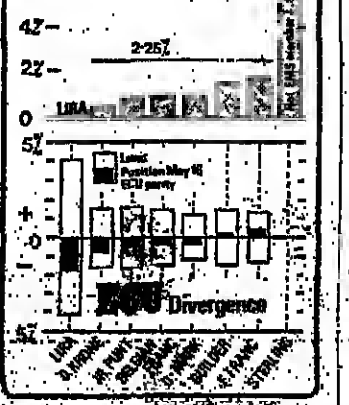
FRENCH franc remained the most improved currency in the European Monetary System in a week where trading was curtailed by national holidays and strike action.

The Belgian franc improved over the Irish punt and maintained its place above the Danish krone and Italian lira, despite further cuts in Belgian short-term interest rates.

The West German D-mark was the third most improved currency behind the Dutch guilder and French franc.

The Italian lira was again the weakest member of the system, but it remained comfortably within its maximum permitted divergence.

EMS May 16, 1980



The charts show the percentage change in the value of various European currencies against the US dollar. The UK shows the largest increase, followed by France and Germany. Italy and the Netherlands show smaller increases, while Belgium, Spain, Portugal, Greece, Ireland, and Luxembourg show decreases.

STOCK EXCHANGE is under extreme political, economic and commercial pressure and its future structure is unclear, chairman Nicholas Goodison warned. Page 6

TURKEY is understood to be considering the sale of up to 60 per cent of the Tuzosun holding company, set up by the Government to develop an indigenous car engine industry. Back Page

COAL from the UK will be providing petrol for motorists and aircraft fuel within the next two decades, National Coal Board chairman Sir Derek Ezra said. Page 8

DECISION by the Government is expected in the next few weeks on the future of Harland and Wolff, the heavily subsidised Belfast shipyard. Back Page

NUMBER of ships laid up has started to rise for the first time in a year because of depressed rates in the tanker markets. Back Page

FT CONSUMER confidence index rose 11 per cent to minus 26 per cent, its highest for a year. Page 7

URGENT TUC action to stop over-laggers' work at the Isle of Grain power station was demanded by GMBU general secretary David Barnett. Page 8

MANUFACTURERS must assess themselves the hazards of the processes and materials they are using, Health and Safety Executive director-general John Locke said. Page 7

THIRD WORLD'S Newly Industrialised Countries are being used by all UK industries as "a ready scapegoat" to obtain protectionist foreign trade policies, an Overseas Development Institute report claims. Page 4

CONTENTS

Pakistan: Pressure on General Zia	14	Editorial comment: Moscow courts West, Japanese politics	14
Newsprint: The industry's struggle to survive	15	Lombard: Time to talk to TUC, Samuel Brittan	16
Egypt: Sadat confronts his opposition	2	Survey: World Banking	Inset
Management: Thyssen fights the steel crisis	11		
Arts	13	Letters	15
Appointments	20	Today's Events	15
Building News	21	TV and Radio	12
Businessmen's Dry	21	UK News	6, 7, 8
Company News	19	Unit Trusts	20
Consensus	18	Man and Motoring	14
Entertainment	16	Weather	2, 3
Europe	18	O'neal News	2, 3
Financial Diary	21	World Econ. Ind.	4
Int. Co. News	21	World Trade	4
Labour News	21	Racing	18
	21	Share Information	26, 27
	21	Short	12
	21	Technical News	19
	21	Obituary	22, 23

The Nine to start sanctions against Iran on Thursday

BY JOHN WYLES IN NAPLES

THE NINE member-Governments of the European Community will impose partial trade sanctions on Iran from Thursday as a gesture of support for the U.S. battle to secure release of the hostages.

Though the sanctions that each individual government will apply fall short of what seemed the Nine's original intentions, the move is one of the most important foreign policy actions in EEC history.

It was confirmed here in a two-day informal meeting of EEC Foreign Ministers which testified to the increasingly confident way in which the Nine are seeking joint policies on other major international issues, notably Afghanistan and a Middle East peace settlement.

Significantly, they are preparing an initiative on the Palestinian problem which could lead to an open clash with the U.S. The sanctions have been adopted under strong American pressure in spite of the extreme doubts of the EEC Governments as to whether they will help secure the hostages' release.

This scepticism, coupled with a reluctance to pay the full price involved in banning all trade links with Iran, means that each Government is largely confining its embargo to signing of new trade and service contracts.

But in an important move to mollify the Carter Administration, all contracts signed since November 4, the day hostages were made captive, will be banned.

The UK is going slightly further than some of its partners in embargoing new loans and credits to Iran.

How large a trade sacrifice the package will entail for the Nine is unknown.

Senior British sources were stressing yesterday that the sanctions will be far more costly for Europe than the more conservative embargo being applied by the U.S.

But the fact that many large contracts are excluded, including Italy's \$3bn of construction work, the Talbot motor company's supply of car kits from the UK and several large West German contracts, raises strong doubts about the package's true severity.

EEC trade with Iran has been running at about \$500m a month this year, but it is not known what proportion is accounted for by contracts signed before November 4 and therefore free of the embargo.

Sig. Emilio Colombo, Italian Foreign Minister, who played host to the weekend gathering in an 18th-century Neapolitan villa, said afterwards that he had told Mr. Edmund Muskie of the U.S. Secretary of State that he "approved and supported".

But U.S. officials who were accompanying Mr. Muskie in his meetings in Brussels and Vienna last week were privately

scathing about the EEC's apparent backsliding from a decision first taken by the Foreign Ministers on April 22.

This held out the probability of action in line with the UN Security Council's resolution voted by the Soviet Union on January 10 which, if passed, would have meant bans on existing contracts and transport links with Iran as well as on future service contracts.

The Nine hope that new developments in Iran, either through a decision of the newly-elected Parliament, the Majlis, or through another UN initiative, will quickly remove the need for the sanctions.

Mr. Ajib Daudy, a Syrian member of the UN mission set up early in the year to inquire into the acts of the Shah's regime, is to reopen contacts with the Iranian Government.

Yesterday's communiqué from the Foreign Ministers wished him well and in a rarely-worded conclusion hoped that the UN mission would make possible a "rapid suspension" of the measures.

The Ministers' talks on the Middle East were prompted by the instruction they have been given to provide a report for the EEC Heads of Government summit in Venice next month, and by the serious impasse in the Camp David negotiations.

The final form of the EEC initiative will probably be decided in Venice. But speculation is focussing on a possible amendment to Security Council Resolution 242. The amendment would add to resolution 242 a recognition of the Palestinians' rights to participate in a nego-

Continued on Back Page

Fewer contentious laws planned for next session

BY ELINOR GOODMAN, LOBBY STAFF

LEGISLATION TO SPLIT the British National Oil Corporation in two, together with a new Nationality Bill and another relatively short Local Government Bill, are likely to be included in the next session of Parliament.

If agreement can be reached, a Bill devolving powers to a Northern Ireland Assembly may also be included in what should be a much lighter legislative programme next session.

Ministers have no agreed the outline of the next Queen's Speech, to be announced in the autumn, and it looks like containing far fewer contentious bills than this session, when the Government was trying to implement as many of its manifesto commitments as possible.

Some Conservative backbenchers had hoped for more legislation to deal with the trade unions. But Mr. James

Prior, the Employment Secretary, is likely to continue arguing that it would be better to give this session's Employment Bill time to work before introducing more law into such a sensitive area.

Conservation

Other likely legislation included a Bill to change the contempt laws, which will probably be introduced in the House of Lords; another Companies Bill, mainly bringing Britain into line with the rest of the European Community; an Education Bill to help the handicapped; and a Bill changing the treatment of young offenders.

The Department of Environment will have two bills—a Countryside Bill, which will deal with conservation and be introduced in the Lords, and another Local Government Bill implementing some of the clauses dropped after the

Government was forced to withdraw its first Local Government Bill from the Lords this session.

Plans by Mr. Michael Heseltine, the Environment Secretary, for a more ambitious Local Government Bill next session have apparently been dropped after pressure from Mr. Norman St. John Stevas, the Leader of the House, who argued that Mr. Heseltine's legislation had caused enough problems this session and pointed to the Government's election promise to legislate less than the last Government.

Virtually all the Departments have a number of minor Bills they are hoping to introduce. The Department of Energy, for example, has an energy labelling Bill on the stocks together with a measure on nuclear installations ratifying Britain's international obligations.

Afghan invasion tops agenda for Brezhnev-Giscard talks

BY OUR FOREIGN STAFF

THE FRENCH and Soviet leaders, M. President Valéry Giscard d'Estaing and President Leonid Brezhnev, arrived in Warsaw yesterday for talks on the first top-level contacts between Moscow and the West since the Soviet Union's troops invaded Afghanistan at Christmas.

President Giscard's trip surprised his counterparts at the meeting of European Economic Community Foreign Ministers' meeting in Naples. Privately some delegations said it seemed an ill timed assertion of France's prized independent foreign policy.

The presence of Soviet troops in Afghanistan and ways to repair the damage that the intervention has done to East-West relations will dominate the meeting between the two Presidents.

Mr. Andrei Gromyko, the Soviet Foreign Minister, is accompanying Mr. Brezhnev and M. Jean Francois-Poucet, the French Foreign Minister, is with

M. Giscard. It is the third trip abroad in 10 days for the ailing Mr. Brezhnev, who was in Warsaw last week for the Warsaw Pact summit meeting and in Belgrade before that for the funeral of President Tito.

The Russians are expected to stress their opposition to NATO's decision to site new U.S. medium-range missiles, which are capable of reaching the Soviet Union, in Europe.

France, which withdrew from NATO's integrated command structure under the late President Charles de Gaulle, had no part in the alliance's decision.

Neutrality

The two leaders will probably also talk about the boycott by some Western countries of the Moscow Olympic Games.

It is thought by some Western diplomats that the Soviets could be attracted by a possible formula for Afghan neutrality which would both extricate Russian troops from the country and end the hostile inter-

national reaction to the invasion.

However, there is a wide gulf to be bridged between Moscow's apparent desire to leave the Babrak Karmal regime installed in Kabul as a prelude to establishing Afghanistan's neutrality and the West's insistence that there should be a government in Afghanistan which clearly has the backing and is the choice of its people.

The meeting in Warsaw is formally at the invitation of Mr. Edward Gierk, the Polish leader.

It clearly demonstrates the role which Warsaw has been given within the Warsaw pact as a channel of communication with the West.

Afghanistan was at the centre of talks between French leaders and Mr. Gromyko late last month when the Soviet Minister visited Paris.

France has progressively hardened its criticism of the Soviet intervention but has insisted on keeping open the lines of communication.

GEC rejects Inmos stake

BY GUY DE JONQUIERES

THE GENERAL ELECTRIC Company has made clear to the National Enterprise Board that it does not wish to pursue discussions which it opened several weeks ago on the possibility of taking a stake in Inmos, the NEB subsidiary set up to make microchips.

Thus the thorny problem of the future of Inmos has been thrust squarely back into the lap of Sir Keith Joseph, the Industry Minister.

With no other private-sector company apparently ready to be involved, the Government may soon face an uncomfortable choice between scrapping the project, which would involve writing off a substantial investment of public funds, or making what amounts to an open-ended commitment to its future.

Inmos has received £25m in public funds. An NEB-backed request for a second £25m has awaited Government approval for almost six months. Officials in Whitehall and many electronics industry experts believe that still more money may be needed if the project is to succeed.

The granting of the second tranche was narrowly approved in principle by a Cabinet committee just before GEC expressed an interest in Inmos. The Government has delayed further action since then, waiting for GE Co to make its intentions clear.

Discussions about the proposed second tranche have been clouded by controversy on where to put Inmos's proposed UK factory, which the money would be used to finance.

The founders of Inmos have insisted that the plant be built in or near Bristol, and there have been heated hints that they might sever their links with Britain and transfer the whole operation to the U.S. unless they got their way.

But some MPs from both major parties want the factory in an economically depressed region, and have demanded that the Government make this a condition of approving the second £25m.

The Government would undoubtedly still like to see all or part of the NEB interest in Inmos hived off to the private sector.

This would be consistent with its policy of reducing "State involvement in industry, and would lessen its potential financial exposure.

Cabinet begins public-sector pay discussion

MINISTERS THIS week begin trying to hammer out a clearer strategy for public-sector pay in the hope of reducing the average rate of settlement in the next pay round to well below the increase in prices.

One possible objective mooted by Ministers is that the average rate of increase in public-sector wages should be kept at least three or four percentage points below the rise in the Retail Prices Index.

Discussions begin at a meeting of the Cabinet's economic memorandum to the full Cabinet before summer recess. The talks will take place against a background of increasing concern among Ministers over the whole question of public-sector pay.

only way to stem public-sector pay demands this autumn, and break all the old assumptions about "entitlement"—will be for several major nationalised industries to face it out with their unions through a prolonged strike. They feel the Government should use its relative popularity now to prepare public opinion for what may be a difficult autumn.

The intention still seems to be to rely largely on cash limits on central Government pay, together with a strict Rate Support Grant settlement for local government this autumn. Ministers are very sensitive to the political implications of being seen to do a U-turn.

But some Ministers are querying whether pressure cannot be brought to bear on the management of some nationalised trading companies to withstand demands for inflationary wage settlements through their prices. Others argue that this would just lead to problems in nationalised industry financing.

But there is a general concern, apparently shared by the Prime Minister, that some nationalised concerns can accept big wage demands and still keep within their cash ceilings by raising their prices.

In the last financial year, cash limits for most parts of the public sector allowed for pay increases of no more than 14 per cent. But this did not prevent important groups of public servants winning 25 per cent pay increases, and a "noting" of about 20 per cent being established in most of the nationalised industries.

Even when cash limits have forced unions to "pay for" excessive increases with cuts in manning, resulting high per-

centage pay increases have had a damaging psychological effect on private employers' efforts to resist similar pay demands.

The Government's main effort looks like being directed at trying to break the expectation in the public sector that pay will automatically keep up with prices and with the pay of other workers.

This attitude almost certainly implies an end to the Clegg Commission on Pay Comparability in its present form. Clegg's popularity with Ministers is at an all-time low because of the role of the Top Salaries Review Board may also be reviewed in the same light. Ways may also be considered to try to force public-sector employers to take a tougher stance with the unions.

Civil Service pay is seen as being particularly important and Lord Seames, Lord President of the Council, is likely to play a key role in future negotiations.

Discussions about public-sector pay usually take place among Ministers during the spring and summer. The talks this year have taken on greater significance because of concern about the recent earnings figures, which showed a 20.1 per cent increase in the year to March, and about last week's retail price statistics, which showed inflation at 21.8 per cent, still rising.

The growing consensus among economists that inflation will still be well above the Treasury's forecast of 16.5 per cent by the end of this year has led to fears that, even though inflation figures will improve in July, when last year's Budget measures drop out of the 12-month comparison, they could start creeping up again in the autumn, just when the new pay round is beginning.

The next pay round will be of immense political importance to the Government as it will be the first one not to be affected by pay commitments left over from the last Administration.

Lombard, Page 12

£ in New York

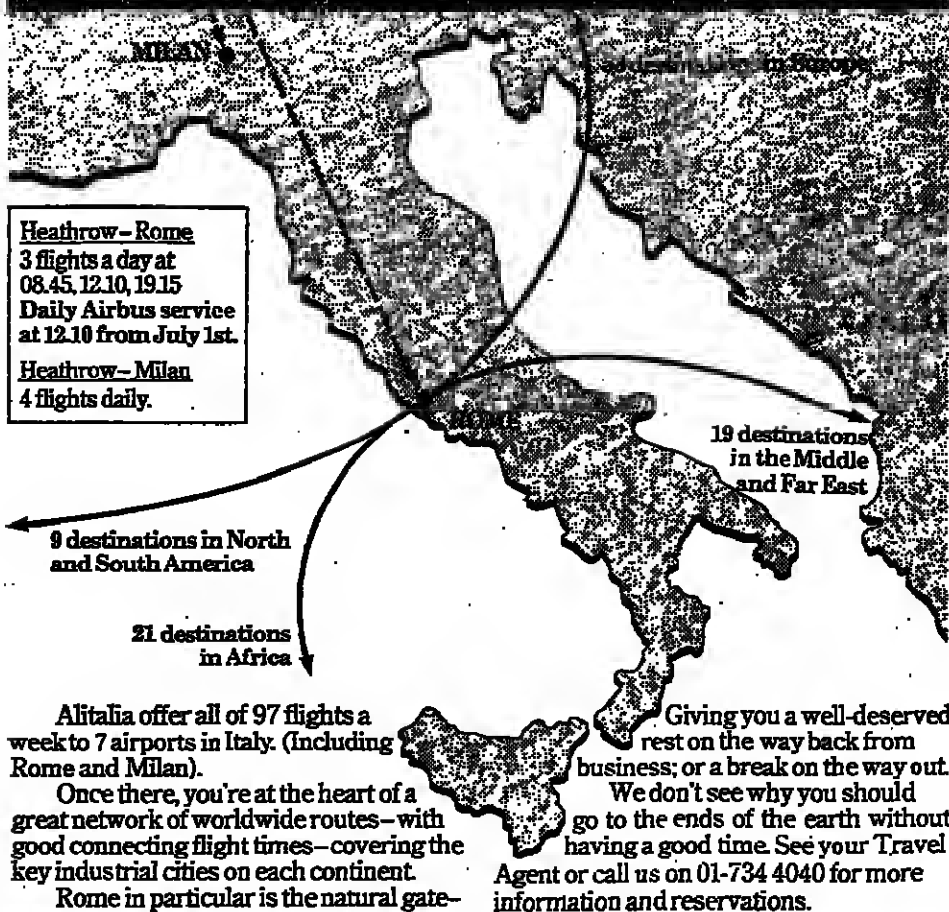
	May 15	Previous
spot	\$2.2850-2850	\$2.2870-2900
1 month	\$2.41-18	\$1.45-1.55
3 months	\$2.40-3.35	\$1.50-3.50
12 months	\$2.75-7.05	\$1.70-7.20

Who is No.1 in lift trucks...

HYSTER?

SEE PAGE 6

When business takes you
to the ends of the earth,
we'll fly you there.



Alitalia

OVERSEAS NEWS

Why Sadat needs Western support

BY ROGER MATTHEWS IN CAIRO

PRESIDENT Anwar Sadat is not going to give up his treaty with Israel and his Middle East peace efforts, but his frustration, bitterness and lack of policy options are contributing to a more dangerous mood in Egypt and the rest of the region.

For the past two and a half years, the President and, to a lesser extent, Egyptian public opinion, have been carried forward on a wave of Western political applause and over \$2bn a year in aid and soft loans. The aid is still flowing, but the political support is beginning to look increasingly ineffectual as it runs into the seemingly immovable wall of Israeli intentions towards the occupied West Bank, Jerusalem, and the Gaza Strip.

Mr. Sadat's confidence and optimism are being severely tested, and the indications of the past 10 days are that his previously sure political touch may be becoming a little ragged.

During that brief period, Mr. Sadat suspended Palestinian autonomy negotiations with Israel, agreed to resume them, suspended them again, got rid of his Prime Minister and nearly half the Cabinet, changed virtually the entire economic team, announced he was going to cut prices, set the scene for two important constitutional changes, including one which would allow him to remain President indefinitely, called a referendum for next Thursday and, in the course of an extraordinary four-hour speech, accused some of Egypt's minority Christian community

of mounting a conspiracy against him.

At least some of these actions reflect Mr. Sadat's sense of isolation and vulnerability to criticism. He is boycotted by all but two members of the 21-strong Arab League, scarcely on speaking terms with the Soviet Union and the Eastern bloc, privately suspicious of the so-called "European initiative," and particularly of the French and their wooing of the Arab oil-producing states, and reduced to a very minor role in Africa and the non-aligned movement. This leaves Mr. Sadat with the United States.

Mr. Sadat and his aides try hard, but sometimes cannot entirely hide their despair at American vacillation and apparent weakness. Egyptian despair is enhanced by the knowledge that, by themselves, they are virtually powerless to influence Israel or to stem the greater threat to the Middle East which they believe has been posed by the Soviet Union's invasion of Afghanistan and its activities in the Horn of Africa.

President Sadat appears to believe he has done everything possible to give the U.S. a lead. He made peace with Israel, presented himself as a reasonable and conciliatory Arab leader, gave the U.S. military facilities for its calamitous attempt to rescue the hostages in Iran, took in the deposed Shah when the Americans had washed their hands of him and, whatever the mess President Jimmy Carter was in on foreign policy, always found a positive aspect

to praise.

Then came last Tuesday. During a long conversation with President Carter, which Mr. Sadat described as more like negotiations, the Egyptian leader bowed to U.S. pressure and agreed to resume the Pales-



It would be remarkable if a simple country boy, as Mr. Sadat likes to present himself, could remain unaffected by the lionisation he has enjoyed

tinian autonomy negotiations which he had suspended the previous Friday because of Israel's refusal to budge on key issues.

But even as Mr. Sadat was making known his decision during Wednesday's marathon speech, the Israelis were pushing through their Parliament a draft law which emphasised their determination to hold on to Arab East Jerusalem, annexed after the 1967 war.

Mr. Sadat was incensed at the timing of this latest Israeli attempt to create "new facts," and more obliquely by Mr. Carter's failure to warn him that it was about to happen. So the talks were off again, and the May 26 target date for reaching agreement on Palestinian autonomy was a dead duck. The Arab countries which had refused to have anything to do with the Sadat peace process, and forecast that he would eventually be left with a separate peace with Israel and nothing else, have been proved right, at least for the time being.

Perhaps mindful of the impending failure on May 26 and Israel's refusal to provide even a fig leaf to justify Egypt's theoretical willingness to con-

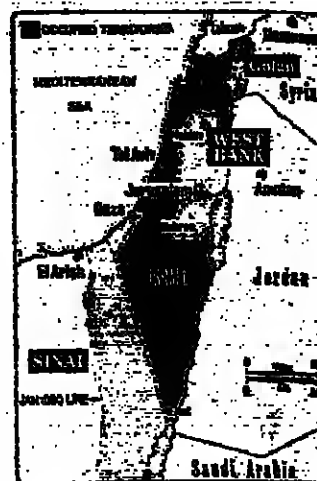
tinue the talks after that date, Mr. Sadat has been diverting domestic attention to other matters.

There is only one topic which really concerns the mass of Egypt's impoverished, illiterate people—improved standards of living. So Mr. Sadat again promised them prosperity and, to give the pledge greater apparent credibility, took over the role of Prime Minister and created six new Deputy Premiers. He also announced price cuts—which so far do not amount to much—increased the minimum wage by 25 per cent, handed out 10 per cent bonuses to the private sector (somehow to the chagrin of company executives who, of course, had not been consulted beforehand), and promised more would be arriving with a new budget scheduled for next month.

Whether this signifies that Mr. Sadat is about to buy domestic political calm at the expense of the slow and painful efforts to move the economy on to a more rational fiscal basis, is too early to tell. If Mr. Sadat's thinking is based on the hope that Mr. Menachem Begin's government in Israel will fall apart by the end of the year, and that a re-elected Mr. Carter will feel free of the current constraints imposed by the U.S. Jewish vote, then perhaps he believes six months of letting the domestic economy rip is worth the risk. The Egyptian balance of payments, has improved so much over the past two years that this could be allowed to happen without immediately running into the hard-currency crisis which hit the country in 1976 and 1977, but at the cost of building up potentially explosive inflationary tensions for the future.

Mr. Sadat, on his own admission, is not an economist, and prefers to set the broad lines of policy which are necessarily closely related to his primary pre-occupation—foreign affairs. For the first time since he became President in 1970, Mr. Sadat also appears to have played relatively little part in the selection of last week's new Cabinet, being content to leave most of the work to Mr. Hosni Mubarak, the Vice-President, who will, in effect, be Prime Minister.

One of the most interesting political trends of the past 18 months has been the increasing influence of Mr. Mubarak, a former Air Force commander who has quietly been amassing power, not least through being in charge of the re-equipping of



the armed forces, likely to cost the U.S. about \$8bn by the end of the decade. At the same time, President Sadat's inner circle of friends and advisers seems to have been narrowing.

Mr. Sadat's domestic critics are also becoming slightly bolder, although still very restrained. Inflation, Islamic fundamentalism, the growing gap between rich and poor, Israeli intransigence, the Arab boycott, the dependence on the U.S., the lack of parliamentary consultation, and the alleged unconstitutional acts of the presidency are all sensitive areas.

Although Mr. Sadat has been mocked often enough in the past, this has not diminished his sensitivity. On the contrary, it would be remarkable if a simple country boy, as Mr. Sadat likes to present himself, could remain unaffected by the lionisation he has enjoyed from the West during the past couple of years.

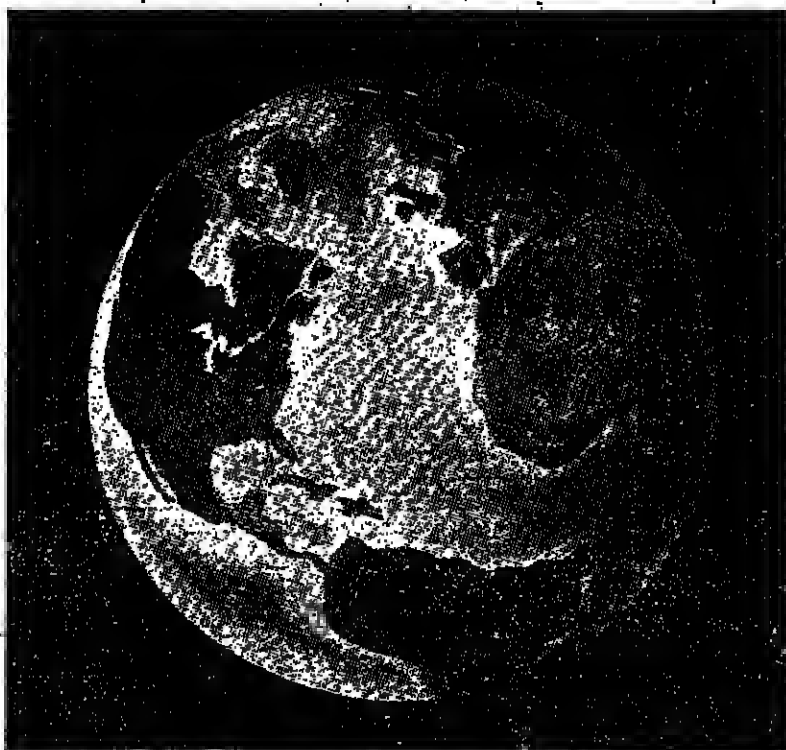
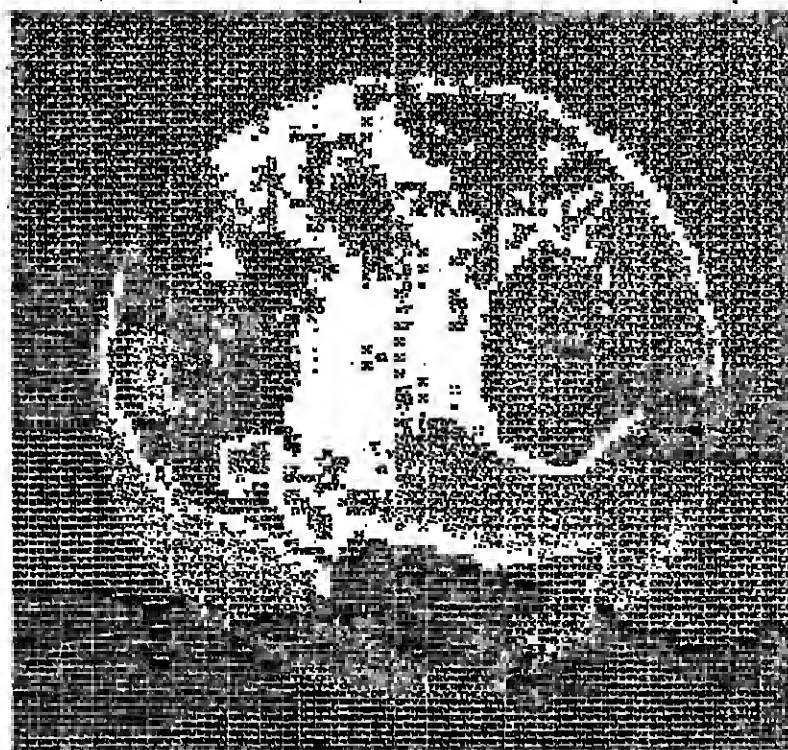
It is difficult to see how Mr. Sadat's frustrations can be relieved. He urgently wants to play a key unifying and leadership role in the Arab world to face the Soviet threat, but cannot because of his peace treaty and failure to deliver anything on Palestinian autonomy. He believes he broke the deadlock on Middle East peace, and instead finds growing radicalisation throughout the Arab world. He believes he won over much of American public opinion, yet finds that Israel continues to act in complete disregard of Washington's wishes.

In the past, Mr. Sadat has had great success in pulling rabbits out of hats, and it is still too soon to suggest he cannot do so again. But he needs help. For the Western nations that means, however unpalatable it may seem to some of them, doing something for the Palestinians.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$295.00 per annum. Second class postage paid at New York, N.Y., and at additional mailing centres.

THEORY:

A top international bank must offer an extensive global network for truly comprehensive service.



REALITY:

Continental Bank has a global network of over 100 offices in 31 countries, including all major money markets in the world.

Our worldwide network serves as an essential tool to the Continental banker, providing the capacity for timely response and comprehensive follow-through. It's what you expect from a top international bank. At Continental Bank, it's reality.



CONTINENTAL BANK

Continental Illinois National Bank and Trust Company of Chicago

Argentina • Australia • Austria • Bahamas • Bahrain • Belgium • Brazil • Canada • Colombia • France • Greece • Hong Kong • Indonesia • Italy • Japan • Korea • Lebanon • Malaysia • Mexico • The Netherlands • The Philippines • Singapore • Spain • Switzerland • Taiwan • Thailand • United Kingdom • Venezuela • West Germany • United States • Chicago • New York • Los Angeles • Houston • Dallas • Miami • Cleveland • San Francisco • Denver

"I didn't see the point in consulting a merchant bank!"

The list of business, investment and merger failures that could have been avoided with the right advice from a merchant bank extends right back to the South Sea Bubble.

And whether you're planning your company's future or managing a substantial private estate, there's a new booklet that could help to make the task a good deal easier—and more profitable into the bargain.

It's called "A Guide to the Services of Guinness Mahon"; and it describes in some detail, just how one of the most respected and professional business and financial advisers in the City of London can be of service to you.

Services include everything from international trading finance to loans in any currency; advice on matters as diverse as tax planning and acquisition policy; management services covering activities from aircraft fleet financing to film production.

Send for your copy today.

It will cost you a stamp. But it could, at least, point the way to some very real benefits for the future.



Guinness Mahon
— Merchant Bankers

To: Guinness Mahon & Co. Limited
32 St Mary-at-Hill London EC3P 3AJ
Please send me a copy of the booklet:
"A Guide to the Services of Guinness Mahon".

Name: _____
Position: _____
Company: _____
Address: _____
Tel: _____

WORLD TRADE NEWS

Britain accused of using NICs as protection lever

BY BRIJ KHANDARIA IN GENEVA

AILING British industries are using the Third World's Newly Industrialised Countries (NICs) as "a ready scapegoat" to obtain protectionist foreign trade policies, although such nations are only an "insignificant source of structural problems in Britain."

This is one of the main conclusions of a report prepared by Britain's Overseas Development Institute (ODI) for the International Labour Organisation (ILO) to be discussed at a four-day symposium here starting today.

The 82-page report points out that job losses due to cheaper imports from NICs were far fewer than those caused by domestic productivity increases or by imports from other industrialised countries in sectors such as textiles, leather goods, and footwear.

The real problem is not that imports from the NICs are causing unemployment in Britain, but that other industries are not growing quickly

enough to absorb the newly unemployed. This sluggish response to economic change has fuelled political resistance to additional unemployment and prompted trade unions to oppose freer international trade.

For example, only about 30,000 jobs were lost in the textile sector between 1970 and 1975 because of imports from NIC compared with about 120,000 jobs lost due to productivity increases.

Yet, both employers and trade unions put sharp pressure on government to get a protectionist Multifibre Agreement (MFA), which currently rules international trade in textiles. While general employment levels are not affected significantly by imports from NICs, particular subsectors have been severely hurt such as the textile industry's men's shirts and hosiery sections. The political impact is considerable because disrupted subsectors are usually located in poorer regions and employ mainly low-paid manual

workers including many women. Among factors adding to the vulnerability of Britain's manufacturing industries are the use of out-dated machinery and work methods, inflexible labour practices, and the ineffectiveness of managers in organising and monitoring the use of resources to encourage innovation, the report says.

Pressure from cheaper imports will continue to grow, and domestic textile interests are likely to press for a stiffening of the MFA when it is renewed in 1981, the report says. The Government's effort to bail out BL is a gamble because it may turn out to be little more than a postponement of the final demise of British Leyland, together with most of Britain's component industry.

The greatest danger seems to be that existing protection against imports from Japan might then be extended, and the car industry might become a chronic invalid like the leather goods and textile industries.

Dutch bank says export credit rates too low

By Charles Batchelor in Amsterdam

THE MINIMUM rates of interest for export credits agreed by the Organisation for Economic Co-operation and Development (OECD) have become unrealistic in the light of high world rates of interest, said the Dutch Export Credit Bank. Yet despite the growing gap between the OECD and real rates of interest, the bank added, more and more countries are demanding that their imports be financed at the minimum rate.

The OECD-agreed rates were meant to prevent exporting countries undercutting each other in offering favourable export credits. The rates are 7.25-7.75 per cent for two to five-year credits and 7.5 to 8 per cent for longer periods. The rate is adjustable within these margins depending on the degree of economic development in the recipient country.

Governments keen to stimulate their exports are also beginning to treat the minimum levels as an automatic basis for agreement, said Dr. W. J. Ford, manager of Export-Financiering-Mij (EFM), Malaysia, Algeria, Thailand and the Eastern European countries in particular press for the minimum rate while the UK, Belgium and West Germany are under the most pressure to accept it.

This has meant that the matching fund set up by the Dutch Government to help exporters meet unfair competition from abroad seems set to become a permanent feature. The fund provided a record amount of aid last year, paying out £1.1m (£2.6m) to assist 29 orders worth a total of £1.13bn (£2.60m).

NOMURA REPORT FOR JAPAN

Industrial restructuring needed

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

BOOKS about Japan by foreign authors often seem to have an axe to grind. One could divide into two neat piles those works which seem determined to prove that the Japanese are supermen who can show us how to run our economies if only we will listen, and those which explain why Japan's achievements are overrated or due to unfair advantages.

Books on Japan by Japanese authors are less liable to grind axes, but are also less likely to be available in English. That is why the Nomura Research Institute's (NRI) Prospects for Japanese Industry to 1985 fills such an important gap.

The Nomura book, like many of the best products of Japanese industry, is the result of collective effort. About 20 NRI experts have got together to survey the prospects, over the next five years, for 15 major Japanese industries, divided roughly half-and-half between "old" and "new." Old industries, as the book shows, can be further broken down into those with and without a future. Shipbuilding and petrochemicals fall into the first category while electronics,

machines and motors cars belong in the second.

New industries, by definition, are those which Nomura does believe to have a future, but they represent a diverse and in some ways rather disturbingly insubstantial bunch.

Prominent in the list are pharmaceuticals, where Japan is still working hard to close the gap with Western Europe and the U.S. food, leisure and retailing where Japan is still in many ways far behind the West, and computers where a battle royal is in prospect between the leading Japanese manufacturers and IBM.

The framework within which Nomura analyses its selected industries is that of industrial restructuring—in other words the notion that Japanese industry must change the direction of its development if the nation is to survive and remain prosperous in the 1980s. The broad directions of change are towards industries which consume less energy and raw materials, take up less space in the overcrowded Japanese islands and, incidentally, produce more of the optional extras and fewer of the basic necessities of life than Japan's earlier mainstream industries.

What is not implied by the Nomura analysis is that Japan is going to be either more or less of a "meathead" to Western industrial economies after restructuring its industries than it is today. In some areas, such as computers, industrial plant and pharmaceutical, NRI sees the Japanese coming up fast while in others (cars and cameras) it can see little reason why Japan should not simply remain as much on top as it is today. In a third category of industries, however—food, fashion, retailing—the picture drawn by NRI is of important internal changes which will make Japan more like the West without necessarily releasing a flood of new exports onto Western markets.

NRI does not simply tell us which Japanese industries are going where over the next half decade. It also sheds light on how the restructuring of Japanese industry is carried out. It is likely to be carried out and in how good the Japanese are at tackling industrial structure problems.

So far as the past is concerned, Nomura obviously feels that the record looks good. The Ministry of International Trade and Commerce's selection of key industries in the 1950s and 1960s was a remarkably bumpy one and the institutional mechanisms which helped its selections to become realities worked with extraordinary smoothness.

This does not alter the fact that some industries make mistakes; for example the Japanese machine tool industry got itself into serious difficulties by prematurely overemphasising mass production. Nor does it mean that restructuring in the 1980s will be as trouble-free as earlier phases of the process.

The reader may be bewildered by the wealth of detail but he cannot fail to grasp one point—Japan is the second largest market in the world for almost every major product of modern industry from computers to pianos and from aspirins to colour TV sets. That more than anything else, may explain why Japanese industry matters.

Prospects for Japanese Industry to 1985 by the Nomura Research Institute. Two volumes. Published by Financial Times Management Reports.

Airbus studying fleet expansion

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European aircraft manufacturing group in which British Aerospace has a 20 per cent stake, is now studying a wide range of future aircraft programmes, on which decisions are likely to be taken by the end of this year.

These include a new 260-seater version of the A-300 short-to-medium range twin-engine Airbus, called the Series 600, for delivery in 1983-1984. This will be mid-way in passenger capacity between the 200-seat A-310, now under deve-

lopment, and the 300-seat A-300 itself, already in service.

Beyond this, Airbus Industrie is studying a smaller, single-aisle short-range airliner, called the SA-1 (for single-aisle) which will be basically a 132-seat airliner, with a stretched version, the SA-2, seating 162 passengers.

Engines being studied for these twin-engine aircraft include the Rolls-Royce/Japanese RJ-500 and the Franco-U.S. CFM-56 Dash 3 in the SA-1, while the SA-2 will use either the CFM-56 Dash 4 or the U.S.

Pratt and Whitney JT-10D-220 engines.

Other new Airbus studies for future aircraft include a very long-range derivative of the A-300, called the TA-11, seating between 210 and 230 passengers, and capable of flying between 5,400 and 6,000 nautical miles. This would have four engines.

Yet another plan is for a "stretched" A-300, that would seat up to 350 passengers, for short-distance travel, called the TA-9. This would be a twin-engine aircraft.

Venezuela oil for Tokyo

TOKYO—Idemitsu Kosan, a leading Japanese oil distributor, and Mitsubishi, the trading company, have signed contracts directly with Venezuela's Government-run Petroleos de Venezuela to import heavy crude oil, AP-DJ reports.

Idemitsu Kosan will import 12,000 b/d between April and December at \$25.93 a barrel, while Mitsubishi is going to purchase 20,000 b/d in the same nine-month period at the same price.

France to boost exports to U.S.

BY TERRY DODSWORTH IN PARIS

INDICATIONS that the French trade deficit with the U.S. could rise this year to FF25bn (\$2.6bn) have prompted M. Jean-François Deniau, French Trade Minister, to launch a big export effort in the U.S. market.

M. Deniau has met both French and American businessmen, along with U.S. Government officials, during a visit aimed at trying to stop the deterioration in the French position.

This downturn set in seriously in 1979, when the deficit more than doubled to FF14bn and has grown by another FF6.3bn in the first three months of this year. Despite the recent surge in

the French investment effort in the U.S., some analysts in France criticise exporters for a lack of determination in tackling the market. Exporters are not flexible enough and fail to provide the proper back-up services, they say.

Among Western nations, France has been one of the less successful exporters to the U.S. for many years, supplying only 2.4 per cent of America's imports in 1979, against 12 per cent from Japan and 3.9 per cent from the UK.

This year, this unfavourable position is being accentuated by the unexpected strength of the French economy, which is encouraging imports of U.S. goods. Conversely, the slowdown in the U.S. economy has

put a damper on French exports.

The major part of U.S. exports to France is concentrated on industrial machinery (particularly important at the moment because of the investment surge going on in French industry), electronic goods and aerospace products. But the U.S. is also a big exporter of some food products, coal, chemicals, fertilisers and paper. France has suffered a setback in some of its traditionally strong export sectors in the last few months. These products include clothing and textiles, and, particularly important, wine, for which France's positive balance went down from FF727m in 1978 to FF685m last year.

UK to develop Bahrain airport

BY OUR WORLD TRADE STAFF

BRITISH AIRPORTS International, the airport development group formed jointly by the British Airports Authority and International Aeradio, has won a major contract for the preparation of a master plan for the development of Bahrain International Airport.

The completed study will result in a major plan for the development of the airport over the next 15 years.

BAI will be working in conjunction with Sir Alexander Gibb and others and British Airways Associated Companies.

Set up recently, BAI has already undertaken comparable studies for national airport planning in such countries as France, West Germany, Switzerland, Brazil, Australasia, and the Caribbean, the Middle East and Africa.

The attract was one of several overseas business deals won by UK-based contractors recently among the others were:

● Trox, others, a £1m contract from Tsubishi Electric of Japan for the supply of a motor, fire-rated dampers

for controlling air flow in the Hong Kong mass Transit Railway.

● Ford of Britain, a £750,000 order to supply the Hong Kong Government with 47 Ford Essex V-6, three-litre engine ambulance vehicles. The order brings to 119 the number of similar vehicles bought by Hong Kong in the last two years.

● Redler Conveyors, a £420,000 contract by Simon Carves to supply handling equipment for Thailand's largest riverside silo complex being built at Phra Pradaeng. Redler Conveyors is a member of the Brockhouse Group.

SHIPPING REPORT

Tramp ship rates move to new peak

By William Hall, Shipping Correspondent

TRAMP SHIPPING freight rates have moved into new high ground. The General Council of British Shipping's tramp trip charter index (1976=100) rose by 11 per cent in April to a new peak of 275.

A year ago, the index was standing at 149, and in the depths of the shipping slump, in the summer of 1977, the index had dropped to 77.

The U.S. embargo on Soviet grain shipments caused a temporary setback at the start of the year, but this was soon left behind and for most of 1980, tramp shipping rates have been firming. However, there are grounds for believing that dry cargo freight rates may now have reached a plateau.

The General Council of British Shipping's tramp shipping indices underline the considerable variations in performance of the various sectors of the dry cargo markets.

In the last eight months, 1979, rates for ships of between 50,000 dwt and 85,000 dwt moved up and down, but rates for ships of 20,000 dwt and 35,000 dwt have risen a mere 4 per cent so far this year, while rates for slightly larger ships (20,000 dwt-35,000 dwt) have risen by a 6th.

In the world tanker markets, rates for Very Large Crude Carriers (VLCCs) remained depressed and owners are slow to lay up their ships once again. Rates for smaller VLCCs Westwards of the Gulf is Worldwide 28 for voyages to the East it is scale 34.

World Economic Indicator

WORLD ECONOMIC INDICATORS				
UNEMPLOYMENT				
	Apr. '80	Mar. '80	Feb. '80	Apr. '79
UK	1,431.3	1,412.9	1,383	1,310.2
Germany	6.0	5.8	5.7	5.5
U.S.	7,265.0	6,755.0	6,300.0	5,960.0
	7.9	6.2	6.0	5.8
France	210.5	222	222	209.7
	4.9	5.3	5.5	5.0
Japan	1,248.0	1,110.0	1,130.0	1,350.0
	2.2	2.0	2.1	2.1
Italy	1,415.0	1,390.7	1,377.8	1,341.9
	6.2	6.1	6.0	5.8
Spain	361.7	368.2	368.2	364.8
	9.1	9.2	9.2	8.6
India	1,681.0	1,662.9	1,623.0	1,730.6
	7.8	7.7	7.5	8.0

LEGAL NOTICES

COMPANIES ACTS 1948 TO 1967 THE COMPANIES ACTS 1948 TO 1967

EVANESCE LIMITED
NOTICE IS HEREBY GIVEN that two of the above-named companies are required on or before the 15th day of June 1980, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their creditors if any, to Keith David Goodman, FCA, of 34 Berricks Street, London W1A 2BA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Gated this 7th day of May 1980.
K. O. GOODMAN, Liquidator.

HOUSE OF LEATHER LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 223 of the Companies Act 1948, that a Meeting of the creditors of the above Company will be held at the offices of Leonard Curtis & Co., Berricks Street, London W1A 2BA, on Thursday the 22nd day of May 1980, at 12 o'clock midday, for the purpose of providing for in Sections 224 and 225, provided for in Sections 224 and 225, provided for in Sections 224 and 225, provided for in Sections 224 and 225.

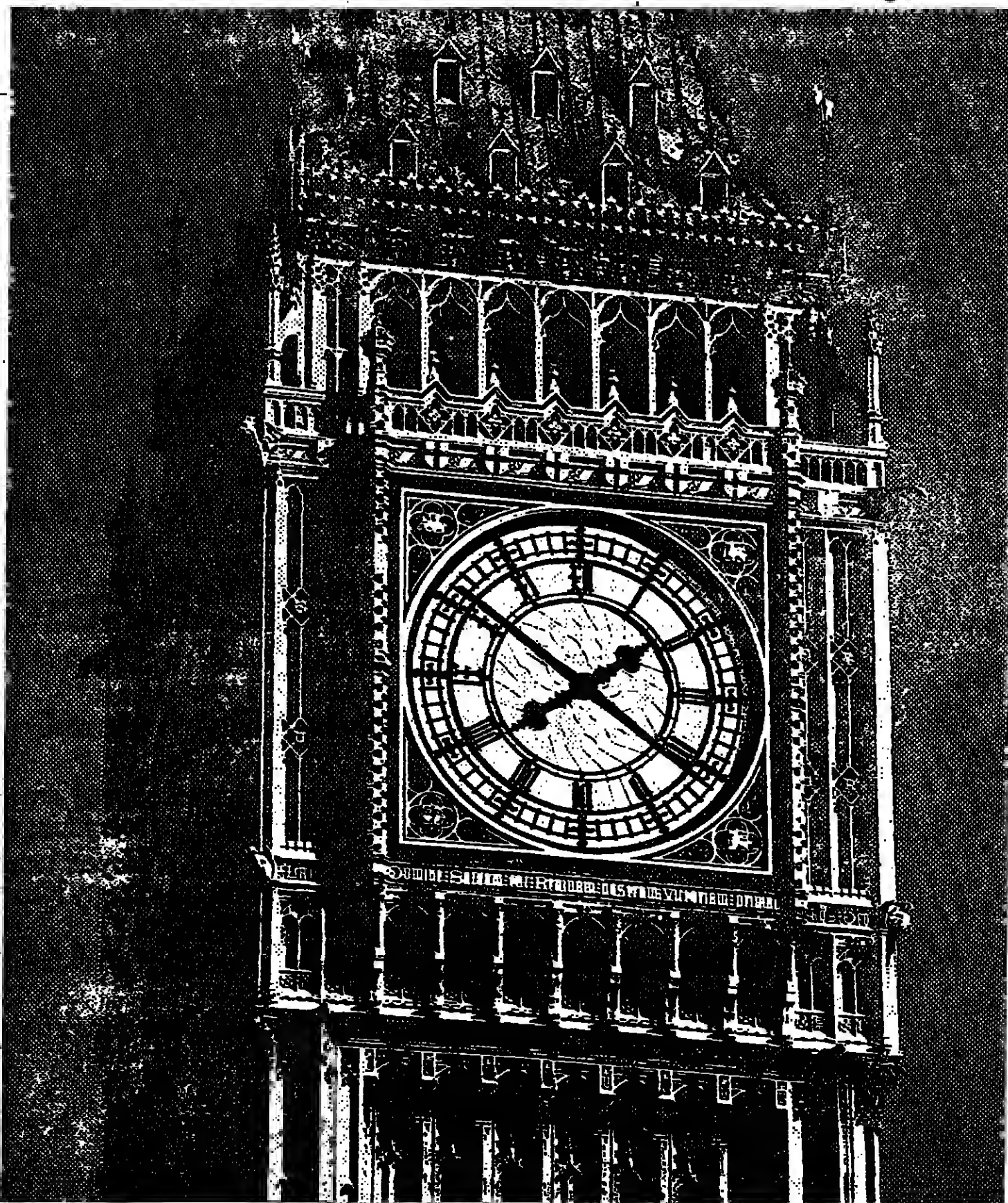
NOTICE IS HEREBY GIVEN pursuant to Section 223 of the Companies Act 1948, that a Meeting of the creditors of the above named Company will be held at the offices of Leonard Curtis & Co., Berricks Street, London W1A 2BA, on Tuesday the 27th day of May 1980, at 12 o'clock midday for the purpose of providing for in Sections 224 and 225, provided for in Sections 224 and 225, provided for in Sections 224 and 225.

Gated this 12th day of May 1980.
PETER G. SINGLETON, Director.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields
It will be published on the following dates in the remainder of 1980:
June 11 July 14 August 12 September 16
October 14 November 11 December 15
There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please contact:
The Financial Advertising Department
on 01-545 8000 Ext. 424 or 389

Get a little Xtra help from the Halifax



HALIFAX The world's biggest building society.

Subsidiary 1001550

Make sure you get the service you want when you fly to Canada and the USA.



Next time you fly the flag to Boston, Chicago, Detroit, Los Angeles, Miami, Montreal, New York, Philadelphia, San Francisco, Seattle, Toronto or Washington, you'll find our famous care comes in three classes.

So now you can be certain of getting precisely the kind of service you want.

If you want good service, but you want a really great bargain, you'll choose Tourist.

For better service, with preferential treatment and a quieter atmosphere, you'll choose Club.

And for the best possible service, the ultimate in comfort and personal attention, you'll choose First.

Whatever the choice, you can be sure of one thing: for the fare, we'll take more care of you than any other airline.

See your Travel Agent or British Airways Shop for full details



	For good service fly TOURIST Standby one way from £97* Super Apex return from £236*	For better service fly CLUB Club return from £494*	For the best service fly FIRST First return £1188*
Generous Baggage allowance	✓	✓	✓
Separate check-in facilities		✓	✓
Free meals	✓	✓	✓
Choice of menus		✓	✓
Superb cuisine—created by award-winning chefs			✓
Free drinks (excluding champagne)		✓	
Unlimited free bar service			✓
Finest vintage wines selected by connoisseurs			✓
In-flight film and music £1.50 extra	✓	✓	
In-flight film and music free			✓
Reduced rates for children		✓	✓
Free magazines and newspapers		✓	✓
Free eyeshades and slippers		✓	✓
Hot towels		✓	✓
Armchair comfort and luxury ambience			✓
Guaranteed seat		✓	✓
Immediate booking facility		✓	✓
Advance booking facility		✓	✓
Ability to change or cancel reservation		✓	✓

*Fares shown are current fares to New York. Tourist and Club fares vary according to dates of travel. No surcharges are applied to any fare after it has been paid in full.

**British
airways**
We'll take more care of you.

UK NEWS

Last-minute bid to amend Housing Bill

BY ELINOR GOODMAN

FIVE TORY MPs for London constituencies are making a last-minute bid today to persuade the Government to amend the Housing Bill.

They want the particular problems of inner urban areas to be taken into account.

At the end of a campaign to change the Bill more radically, the deputation is likely to concentrate today on the more limited aim of improving control private tenants and leaseholders have over their service charges.

Last week the group, led by Mr. Nicholas Scott, MP for Kensington and Chelsea, was given the strong impression that the Government was not prepared to accept any of its amendments.

But on Friday, Mr. Scott was invited to the Department of the Environment again. This raised the group's hopes that the Government at least may be prepared to go on record as acknowledging the particular problems of London flat-dwellers and more general problems created by the London housing market. The group feel this would be a useful indicator.

The Bill, which reaches its third reading today and tomorrow, provides, among other things, introduction of short-term tenancy agreements. These the Government hoped will increase rented accommodation coming on to the market.

Some London Conservatives lobbied for such a scheme for some time, but the group of

five argued that the Bill did not do enough to help private tenants or leaseholders in mansion-blocks. Because of this the group has put down its own amendments. It is unlikely that any of the amendments could be carried, even with Labour support.

The group's main hope of changing the Bill has rested therefore largely on persuading the Government to accept its amendments. Ministers made it clear some weeks ago that they were not prepared to go along with major changes proposed by London Members. For this reason the MPs concentrated their efforts last week on trying to give leaseholders the right to challenge a landlord's assessment of service charges.

Liberals allow Steel latitude

LIBERAL ACTIVISTS gave their party leader the freedom he wanted at the weekend to negotiate with Labour dissidents about the possibility of forming close electoral alliances at the next election if the occasion arose, writes Elinor Goodman.

But the 200 delegates at the Liberal Council's weekend meeting in Worcester also made it very clear that they would expect to be consulted by Mr. David Steel before he entered into an agreement with the "crouching outside the Liberal Party."

The debate over a lengthy motion showed that Liberal activists are determined the Liberal Party should not go into the business of throwing out lifelines to MPs disowned by other parties.

The clear warning to Mr. Steel was that the party would make trouble if he agreed on their behalf that Liberal candidates in a particular area were to leave open the centre ground for a person like Mr. Roy Jenkins, President of the European Commission.

Such a decision, Mr. Steel

promised, would be entirely one for the local party.

The general feeling among delegates seemed to be that the talk about the possibility of Mr. Jenkins and others joining forces with the Liberals to form a new centre party had put the wrong perspective on the situation. Nevertheless, they eventually rejected the parts of the motion which would have tied Mr. Steel's hands.

Instead, they passed a general resolution extolling the radical and independent traditions of the Liberal Party.

Call for state industry Ministers

BY ROBIN REEVES, WELSH CORRESPONDENT

THE NEXT Labour Government should consider appointing a Minister as chairman of each nationalised industry, including the Bank of England, Mr. Tony Benn, MP, said at the weekend.

He told the Welsh Labour Party's annual conference in Swansea that by the time Labour was returned to power, three to four million would be unemployed. The new Administration would face as big a challenge of economic reconstruction as the 1945 Attlee Government.

"It will require a massive planning job to get the unem-

ployed back into factories and the key will be the public sector," he said.

Nationalised industries would need to be expanded and modernised. Parts which had been sold off would have to be brought back to the public sector, without paying twice for public assets which the nation built up, he warned.

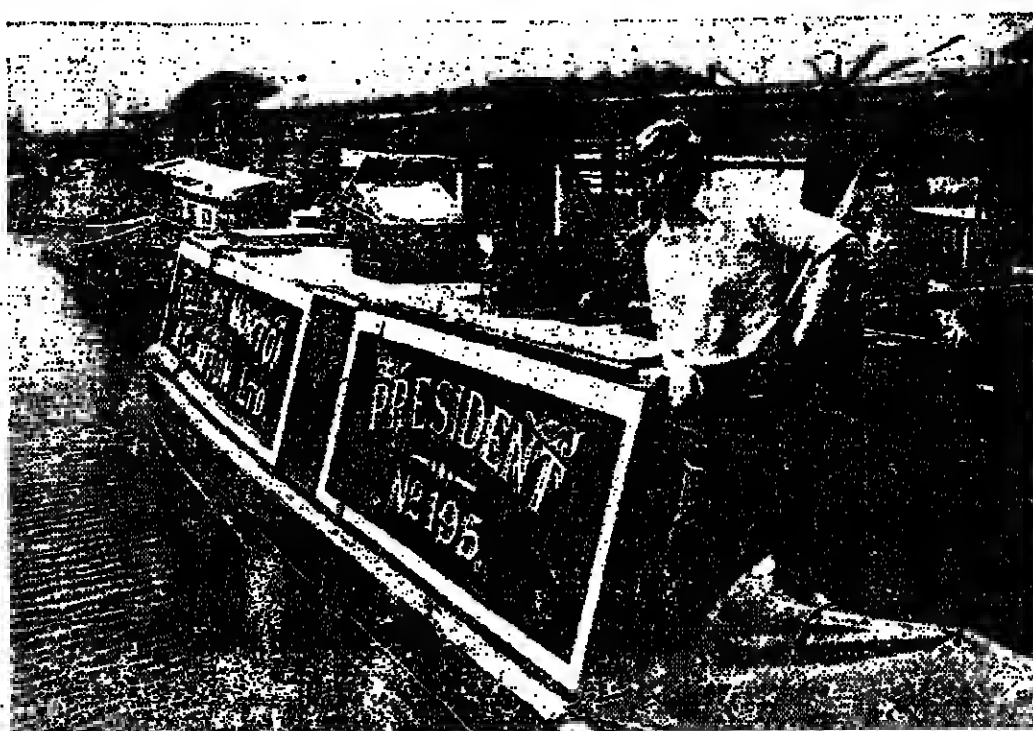
A new approach was needed, Mr. Benn said. Successive Governments and chairmen had, in effect, killed off the Herbert Morrison concept of a public

corporation. The tasks which would be required of the public sector could not be entrusted to the present unaccountable system of management.

Mr. Benn said a Minister in charge of each nationalised industry could chair a management board with a deputy chairman and chief executive answerable to him. He ought also to chair a tripartite committee on which he would sit with the management and unions and other Ministers to plan the strategy.

At that hearing Mr. Tucker and his associates undertook to hand the returned documents back to the Revenue if the Revenue won an appeal to the House of Lords. They also undertook to keep the documents where the Revenue had found them at the time of the raids.

In December the Law Lords allowed the Revenue's appeal and the Revenue now contends that Mr. Tucker has broken his undertaking to return the documents.



Steam is making a comeback on Britain's canals. Fifty years after the last steam narrow-gauge finished trading, the steam-propelled President with its hntty, Northwich in tow, set sail from Birmingham yesterday. The President, which used to operate an express canal service (London to Birmingham 54 hours non-stop) has been restored to its original condition, and is heading for the British Waterways museum at Stoke Bruerne.

Call for jail sentence

By Raymond Hughes

AN ATTEMPT to have the avoidance expert Mr. Roy Tucker jailed for alleged contempt of court will be made in the Court of Appeal this week.

The application, by the Inland Revenue, stems from its raids on the homes and offices of people connected with the Rossminster Group last July. Large quantities of documents were seized.

The Queen's Bench Divisional Court rejected a challenge to the seizure, but in the Court of Appeal, Lord Denning sharply criticised the Revenue's action and ordered the return of all the documents.

At that hearing Mr. Tucker and his associates undertook to hand the returned documents back to the Revenue if the Revenue won an appeal to the House of Lords. They also undertook to keep the documents where the Revenue had found them at the time of the raids.

In December the Law Lords allowed the Revenue's appeal and the Revenue now contends that Mr. Tucker has broken his undertaking to return the documents.

Three possible avenues of development were being discussed: ● The market could become fragmented and "go upstairs," meaning that central market places would decay and business be transacted directly between traders by telephone.

● London, the most highly developed centralised market, could find itself in the lead on the basis of its high-technology dealing skills, and international trust in its members.

● A consolidation of the various European markets could be created as a "super-market" for Europe.

'Unclear future' for Stock Exchange

BY CHRISTINE MOIR

THE FUTURE structure of the Stock Exchange was "very unclear," Mr. Nicholas Goodison, the chairman, said at the annual conference of the National Association of Pension Funds in Brighton at the weekend. It was under extreme pressure politically, economically and commercially, he said.

A profound change might occur through the EEC Commission, which was considering development of a unified "European securities industry."

Three possible avenues of development were being discussed:

● The market could become fragmented and "go upstairs," meaning that central market places would decay and business be transacted directly between traders by telephone.

● London, the most highly developed centralised market, could find itself in the lead on the basis of its high-technology dealing skills, and international trust in its members.

● A consolidation of the various European markets could be created as a "super-market" for Europe.

Though the EEC Commission favoured this last alternative, Mr. Goodison was sceptical about the possibility, because of the obstacles of overcoming national structures and patriotism.

Changes were inevitable, and the Stock Exchange needed to be on its toes. Internally also it was constantly evolving, and even fundamentals could change.

The jobbing system was under considerable strain as a result of "this if not negative markets in equities." At present it still provided valuable liquidity for the market, greater than in any market outside New York and Tokyo.

If the jobbing system "proved to be uncompetitive in three, four or five years, we would have to change the dealing system."

Technological changes were likely. Already transactions were settled and information about them was carried by computer, but Mr. Goodison foresaw a time when "even some dealings" could be computerised.

Forests suffer £1m fire damage

FINANCIAL TIMES REPORTER

FOREST FIRES have caused more than £1m worth of damage in the last five weeks, according to the Forestry Commission. And it has warned that the total number of fires this summer could be higher than during the 1978 drought.

In the Peak District National Park, five fires were still burning yesterday and a park spokesman said: "We have lost more than we lost during the summer of 1978, and we have closed more than 70 square miles to the public."

In North Wales, firemen were confident that they had beaten the 500-acre Snowdonia forest fire which has been burning since Thursday, but they were still busy dealing with gorse fires in Gwynedd.

About 3,000 acres so far have been destroyed by fire, compared with the 8,000 acres which were destroyed during the whole of the 1978 drought. Fires have been ranging in the Snowdonia, Esmoor, Dartmoor and Peak national parks, the New Forest and North Scotland.

The Forestry Commission has closed several forests judged to be at risk in North Scotland, the Lake District and in Derbyshire and Yorkshire, and has launched a campaign to persuade the public not to visit forests during the hot dry weather.

The commission and farmers blame the fires on the public's carelessness. They argue the most common cause of fires is people forgetting to put out cigarettes and leaving them to smoulder in dry grass.

The National Water Council has discounted claims that the country is facing water shortages on the scale of the 1976 drought.

Rainfall during February, March and April was 20 per cent above the seasonal average. Reserves are currently at high levels.

Hose pipe bans, however, have been introduced in North Devon and parts of Cumbria and the Welsh Water Authority is to introduce a similar ban this week.

Progress on Dash 535

THE DEVELOPMENT programme of the Rolls-Royce Dash 535 version of the RB-211 engine, destined for the new Boeing 757 twin-engine airliner for British Airways, is gaining momentum.

The company says that over 1,000 hours of test running have been completed with the engine at Derby, with fuel consumption within the guarantees offered customer airlines.

Tests have been conducted on seven engines, and an eighth engine has recently joined the programme. One 150-hour endurance test has been completed, and another starts soon.

The first engines for the Boeing 757 are due for delivery to Boeing next year.

Orders and options for 81 aircraft, each powered by two Dash 535 engines, have been placed with Boeing.

Bread boost

BREAD was the most energy-efficient item made by industrialised food producers, said a researcher at Ranks, Hovis,

McDougall, the bakery group. Dr. Gordon Beech said the bread needed only 1.5 fossil fuel calories per food calorie, against eight for mashed potato, nearly 11 for roast beef and 14 for canned corn.

National Savings up

NATIONAL SAVINGS had a more than £100m net intake in April, with deposits of more than £310m and repayments of £207m, both including accrued interest. Best contribution was £78.6m from the 19th NS certificates issues. But there were net outflows of £13.3m from the ordinary bank account and £8.9m from investment account. Total invested in NS at April's end was £13.56bn (£11.79bn, April, 1979).

'Abolish NEB'

ABOLITION of the National Enterprise Board is called for in a book published today by the Centre for Policy Studies. It was commissioned before the General Election when Sir Keith Joseph was chairman of the centre, set up by him and Mrs. Margaret Thatcher. It recommends large-scale disposals of NEB holdings and handing over BL and A. Herbert to the Department of Industry.

No...the Hyster customer is.



When you're choosing a lift truck, particularly if you have an urgent need, the business philosophy of a particular manufacturer may not strike you as of paramount importance. But choosing the wrong supplier can be an expensive mistake. So watch your step. You may spot some of the signs before you place your order. Like non-availability or the inability to tailor a standard truck to your special needs. But others may not become apparent until you're committed. Like failing to meet delivery promises. Poor reliability. And non-existent service. Far better to pause awhile and check out an organisation that is dedicated to materials handling and where the customer will always be No. 1. Hyster.

Check our experience. It spans 50 years and five continents. Examine our designs. For sheer rugged reliability, technical innovation, safety and comfort they're second to none. Look at our huge manufacturing resources and painstaking attention to quality assurance. You'll find we can still adapt an individual truck to suit your application. But, more than likely, we can meet your needs from our basic range of over 70 models.

Ask others about Hyster reliability. See how our trucks stand up to the most demanding applications. And check for yourself what our local, on-the-spot back-up service is really like. But remember, none of these things happened by chance. They all spring from an attitude of mind that's remained unchanged for 50 years. It's made Hyster the number one choice for cost-effective materials handling today. And a very good friend to have working for you.



Hyster from Barlow Handling.

Barlow Handling Limited
Head Office: Airfield Estate, Maidenhead, Tel: Littlewick Green 2151
IRELAND: A.H. Messer Ltd., Tel: Dublin 264511, Belfast 617126, Cork 508624



INVITATION

PETROLEOS DEL PERU invites all international oil companies to enter into Joint Ventures and Operations and Service Contracts in 74 million Hectares in the Jungle and Continental Shelf areas, according to the new rules laid down by the Revolutionary Government of the Armed Force (Decreets Law 22774, 22775, 22862 and Supreme Decree 010-80).

Please address all inquiries to
PETROLEOS DEL PERU
Paseo de la República 3361- San Isidro
Telex: Petroperu 20303

Built stronger to work longer.

UK NEWS

Concern over egg imports

BY RICHARD MOONEY

A FLOOD of cheap Continental eggs into Britain could drive more UK producers into bankruptcy next autumn and winter, the Eggs Authority has warned.

Most British egg producers are only breaking even and indications that farmers in other EEC countries are stepping up production again are viewed with concern.

UK producers have been trying to avoid over-production. "In February, the UK was the only EEC country not to show an increase in placing laying chicks in egg factories over its 1979 level," the authority said.

Total EEC placings were down seven per cent in 1979 but an upward trend started in the last quarter. February placings rose 13 per cent over 1979. Meanwhile UK placings have remained stable.

Accelerating chick placings are likely to mean lower-than-expected egg prices throughout the Common Market this autumn and winter.

'Work safety is industry's duty'

BY DAVID FISHLICK, SCIENCE EDITOR

MANUFACTURERS MUST themselves assess hazards of processes and materials they used, Mr. John Locke, director general of the Health and Safety Executive, said in London yesterday.

His executive had "not the slightest intention of doing the calculations for them," he told industrialists.

It was necessary for any company engaged in any intrinsically hazardous activity, or using intrinsically hazardous substances, to show that it had done a risk assessment.

His executive, as a regulatory agency, would audit the assessment.

Mr. Locke was speaking on the 10th anniversary of Systems Reliability Service, an offshoot of the UK Atomic Energy Authority, which undertakes risk-assessments for a wide range of organisations. The UKAEA has an income of about \$500,000 a year for this work.

The Systems Reliability Service is a club of organisations which, for an annual fee, have access to what is claimed to be one of the world's biggest data-banks on reliability of engineering components and systems.

Of its 84 members, 71 are outside the nuclear industry, many from what by nuclear standards are seen as low-risk industries.

Mr. Locke said that the Health and Safety Executive, in questioning safety, as often as not looked to the UKAEA for assistance. "I am quite certain this is the way in which we shall develop," he said.

Questions about chances of a process going wrong and hurting someone were important, not only because they would reduce the number of serious incidents but because a whole range of activities now depended on public confidence that the operator had got the risks under control.

Nuclear risks were several orders of magnitude lower than other kinds of industrial risk, said Mr. Locke. His executive was not sure that it was right in pressing the nuclear industry to meet safety standards much higher than any other industry but public opinion expected it.

The Health and Safety Executive is a division of the Department of Employment.

Lightning tests for longevity

By Michael Donne, Aerospace Correspondent

BRITISH AEROSPACE, the State-owned aircraft manufacturer, is starting a nine-month test programme to determine whether the Lightning super-jet fighter can have its in-service life extended.

As a result of the Government decision to expand UK air defences, an additional Lightning interceptor squadron is being formed from reserve aircraft stocks to complement the two existing squadrons.

These aircraft will have to be in service for longer than originally expected, until the Specialist Air Defence Variant (ADV) of the Tornados multi-role combat aircraft enters service in the mid-1980s.

The aim of the strenuous fatigue tests now to be conducted on a Lightning is to discover whether the aircraft need structural alterations, as it will now be expected to fulfil roles more arduous than those for which it was designed more than 20 years ago.

Today's operational need is for increased flying at very low levels. This is believed to be the most likely form of attack by aircraft approaching the UK via the North Atlantic, but throws considerable strains on any aircraft's structure. The Lightning was initially designed for high level interception.

The BAE's Aircraft Group designers and engineers at Warton, Lancashire, where the tests will be undertaken, believe they can build many necessary modifications into the Lightning, to meet the increased strength and life required.

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

ICI Finance (Netherlands) N.V.

(Incorporated in the Netherlands with limited liability)

U.S. \$100,000,000

11 per cent. Guaranteed Notes 1983

unconditionally and irrevocably guaranteed by

Imperial Chemical Industries Limited

(Incorporated in England under the Companies Acts, 1908 to 1917)

Issue Price 100 per cent.

The following have agreed to subscribe for the Notes:—

S. G. Warburg & Co. Ltd.

Deutsche Bank Aktiengesellschaft

Banque de Paris et des Pays-Bas

Credit Suisse First Boston Limited

J. Henry Schroder Wagg & Co. Limited

Hambros Bank Limited

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

The 4,000 Notes of US \$25,000 each constituting the above issue have been admitted to the Official List of The Stock Exchange, subject only to the issue of the Notes. Interest is payable annually on 1st June in each year, the first such payment being due on 1st June, 1981.

Particulars of the Notes are available from Eitel Statistical Services Limited and copies may be obtained during usual business hours up to and including 3rd June, 1980 from the Brokers to the issue:—

Hoare Govett Ltd.,
Heron House,
319-325 High Holborn,
London WC1V 7PB

Pannure Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS

Rowe & Pitman,
City-Gate House,
39-45 Finsbury Square,
London EC2A 1JA

Scrimgeour, Kemp-Gee & Co.,
20 Copthall Avenue,
London EC2R 7JS

19th May, 1980.

FT SURVEY OF CONSUMER CONFIDENCE

Sharp rise in optimism

By David Churchill, Consumer Affairs Correspondent

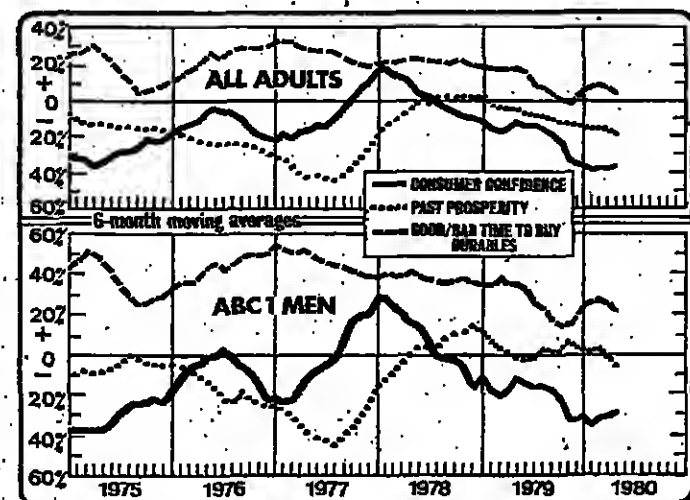
A SHARP RISE in consumer optimism is revealed in the latest Financial Times survey of consumer confidence published today.

The index of future confidence rose by 11 per cent to minus 26 per cent, the highest level for a year. The survey of just over 1,000 adults showed that 16 per cent expected conditions to improve, compared with 13 per cent last month, while 42 per cent thought that conditions would worsen, compared with 50 per cent in April.

Although the May index of minus 26 per cent is at a historically low level, the rise in confidence this month suggests that the slump in consumer confidence in the past year has "bottomed out."

Since the index figure of plus 9 per cent in May last year, shortly after the Conservative's General Election victory—the index has slumped to the lowest recorded levels in its 10-year history. It stood at minus 46 per cent in February.

In spite of the sharp improvement in confidence in May, however, the six-monthly index, which gives the trend over the



last half-year, has only dropped one point to minus 37 per cent.

The main reason for the rise in confidence in May was a fall in the number of pessimistic consumers who felt the Government should be blamed for following the wrong policies.

Last month this was given as a reason by 28 per cent of pessimistic consumers, compared with only 17 per cent this month.

The high level of inflation, however, remained the main reason for pessimism. This was cited by 40 per cent of consumers—a rise of one point.

The main reason for consumers' optimism was simply the belief that "things must improve."

While all social groups were generally more optimistic for the future, the biggest increases were revealed for AB and C1 women (professional and executive) and C2D and E men (manual workers). Both these social sub-groups recorded their highest indices of future confidence for a year.

But while future confidence has risen sharply, the level of past prosperity has shown an equally sharp decline. In May some 22 per cent of the survey felt that they were better off than a year ago, compared with 47 per cent who thought they were worse off.

This gave an index of minus 25 per cent—its lowest for almost three years—compared with minus 14 per cent last month.

The Financial Times Survey of Consumer Confidence was carried out between May 1 to 8 by the British Market Research Bureau. A sample of 1,012 adults was interviewed.

and C1 women (professional and executive) and C2D and E men (manual workers). Both these social sub-groups recorded their highest indices of future confidence for a year.

But while future confidence has risen sharply, the level of past prosperity has shown an equally sharp decline. In May some 22 per cent of the survey felt that they were better off than a year ago, compared with 47 per cent who thought they were worse off.

This gave an index of minus 25 per cent—its lowest for almost three years—compared with minus 14 per cent last month.

The Financial Times Survey of Consumer Confidence was carried out between May 1 to 8 by the British Market Research Bureau. A sample of 1,012 adults was interviewed.

A challenge to expansion-minded manufacturers:

Compare Sri Lanka's Free Trade Zone with other plant sites in or outside Asia

If you're looking for possible sites for a new plant, Sri Lanka challenges you to match the advantages of its Free Trade Zone, against those being offered elsewhere.

100% exemption from all taxes.

Most plant sites offer tax exemptions of one sort or another. Sri Lanka frees you from *all* taxes of any kind.

No tax on corporate and personal income, royalties, dividends — for up to 10 years. After that, a further concessionary tax period for up to 15 years.

All the labour you need. Sri Lanka offers you a labour reserve of 600,000 educated, mostly English-speaking men and women, who are known for their quality work and ability to rise to new challenges.

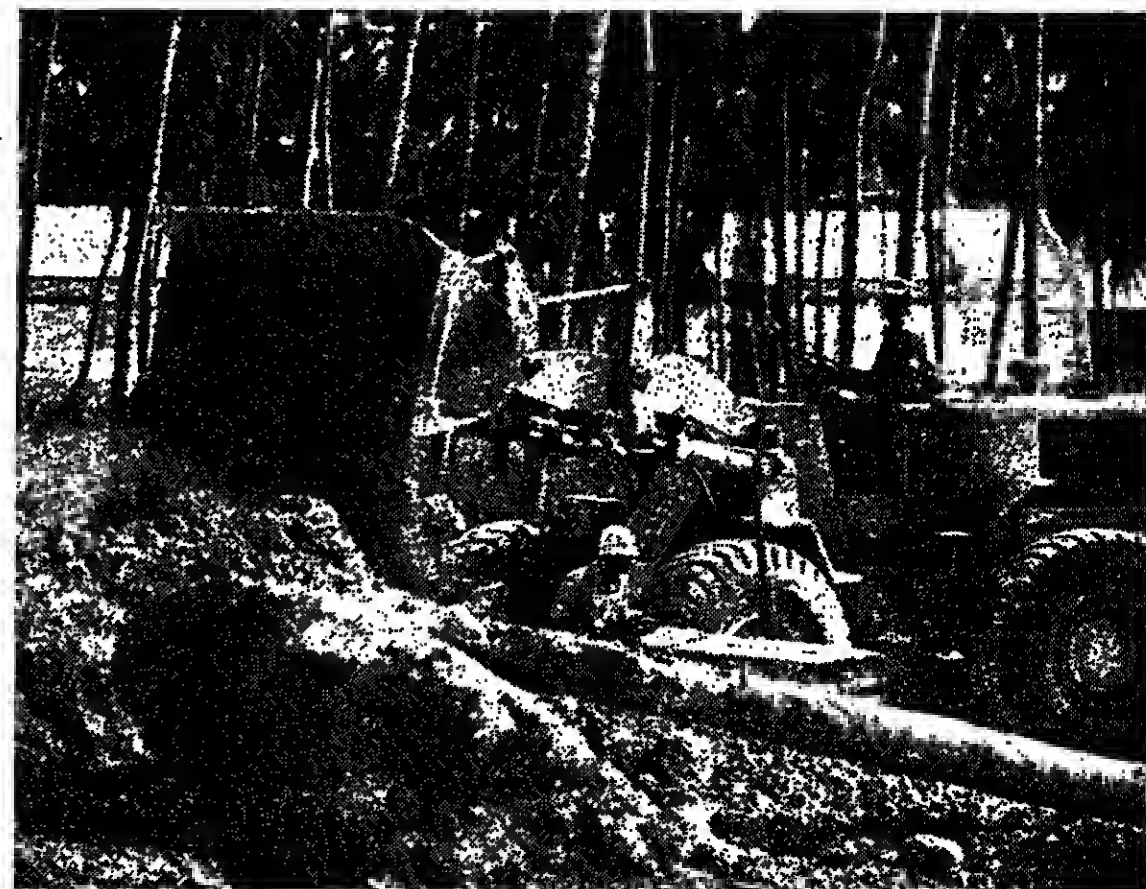
Many manufacturers in the Free Trade Zone have had to revise upwards production norms they had calculated when they first decided to invest.

Low cost, high productivity. Sri Lanka has the lowest labour rates in Asia. The average monthly wage in manufacturing industries in Sri Lanka is only US\$35.

But low labour costs in Sri Lanka are *not* linked with low productivity. Quite the contrary. A 'Business Asia' study ranks the Sri Lankan worker second in Asia, in terms of relative productivity.

Low setting-up costs. Setting-up costs are, by far, the lowest in Asia. Construction costs for factories are around US\$100 per sq. m. (US\$10 per sq. ft.).

Lowest cost of living, too. You



Sri Lanka's Free Trade Zone offers unprecedented incentives and opportunities for profits that can't be found anywhere else.

can live well in Sri Lanka. According to a recent United Nations report, Colombo is the cheapest capital city in the world. Yet it has all the sophistication of a big city.

And Sri Lanka offers one of the world's most beautiful environments. Swimming, sailing, skin-diving and fishing are out of this world, while your wife will rejoice that here, domestic help is readily available and reliable!

A host of other tax incentives not found in most new industrial areas. No import duty on machinery, equipment, raw materials and construction materials. No double

taxation. No tax or exchange control on the transfer of shares, capital and proceeds of liquidation.

If you're a manufacturer with plans for expansion, you'll find that Sri Lanka's Free Trade Zone tops other plant sites elsewhere.

For a complete list of all the advantages you'll enjoy in Sri Lanka, contact the Investment Promotion Division of the Greater Colombo Economic Commission at P.O. Box 1768, 14 Sir Baron Jayatillake Mawatha, Colombo 1, Sri Lanka. Tel: 34403-5. Cable: ECONCOM COLOMBO. Telex: 1332 ECONCOM COLOMBO. Or rush off coupon.

For business in the U.S., pick a bank in the middle...



In a country as big as the United States, you can't afford to be out of touch with any location. Mercantile Trust Company — headquartered in the geographic and transportation center of America — puts you right in the middle of your markets.

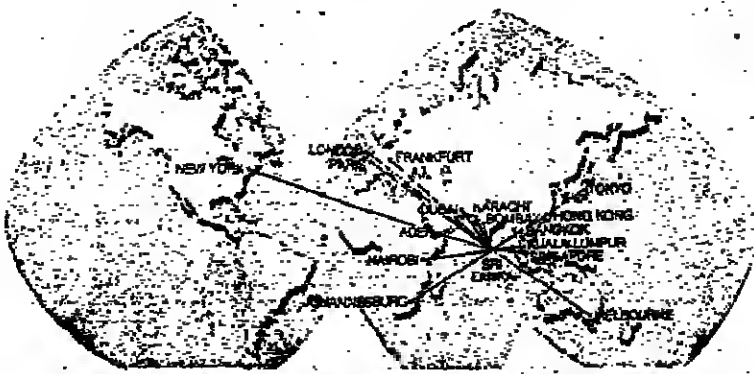
Mercantile offers one of the largest international operations in the central United States. As well as complete financial services, including customs brokerage through Mercantile Customs Service, Inc. There are major facilities in St. Louis and Kansas City, with 28 addi-

tional affiliates throughout Missouri. And Mercantile is the largest member of SWIFT (Society for Worldwide Inter-bank Financial Telecommunications) in this region.

Mercantile Bancorporation Inc. (as of March 31, 1980)	
Total Assets	\$4,142,602,000
Investments	719,564,000
Loans	2,070,409,000
Deposits	2,724,680,000
Shareholders' Equity	230,266,000

MERCANTILE BANK

Mercantile Trust Company N.A.
Mercantile Tower • St. Louis, Mo. U.S.A. • Telex 44-2300



Sri Lanka, formerly Ceylon, is located along major air and sea routes.

To: The Investment Promotion Division, Greater Colombo Economic Commission, P.O. Box 1768, Colombo, Sri Lanka.

Please rush me details on Sri Lanka's Free Trade Zone.

Name _____

Company _____

Address _____

Country _____ Type of business _____

Coal will supply motor and jet fuel, Ezra predicts

BY RAY DAFTER, ENERGY EDITOR

WITHIN THE next two decades British coal will be providing petrol for motorists and jet fuel for aircraft, according to Sir Derek Ezra, chairman of the National Coal Board.

Sir Derek told delegates at an international energy conference in Montreux, Switzerland, yesterday that before the end of the century coal would also be providing essential feedstocks for chemical plants.

He predicted that commercial-scale coal refining would begin to operate in the UK during the 1990s. With continuing increases in oil prices, liquid products

from coal would become increasingly competitive before the end of the century.

After referring to coal processing developments in South Africa, the U.S. and West Germany, Sir Derek said that the UK was proceeding well with new technologies for coal refineries. Successful research and development at the Coal Board's Coal Research Establishment at Stoke Orchard, near Cheltenham, would work available this summer all the information necessary for a decision on the next stage of a more ambitious pilot plant.

A convenient site to process coal from different coalfields had been chosen at Point of Ayr, North Wales. However, the venture would need financial support from the British Government and the European Community. The total cost of such a scheme would be about £30m, it is understood.

Sir Derek outlined the time-scale for pilot plant operations. Design and construction phases would take two years while a further three years of operating experience would be required to prove the capability of new coal-refining technology.

City fraud increases

THE City of London Police fraud squad report for 1979 says that in the year they dealt with allegations of major frauds involving about £30m. Indictable City crime increased by 13.2 per cent over 1978.

Mr. Peter Marshall, City Police Commissioner, writes in the report of the difficulties encountered in fraud inquiries and the length of time it takes to bring complex cases before courts.

A large proportion of the squad's work involves international cases and officers were often required to travel abroad for evidence necessitating the permission of the countries involved.

TUC urged to act over Isle of Grain laggards

BY ALAN PIKE, LABOUR CORRESPONDENT

URGENT TUC action to prevent members of other unions taking over the work of thermal insulation engineers at the Isle of Grain power station site was demanded yesterday by Mr. David Barnett, general secretary of the General and Municipal Workers' Union.

Mr. Len Murray, TUC general secretary, has already received a call for intervention from the GMWU—which represents the engineers. It will be considered today.

Mr. Barnett, speaking in Bournemouth on the eve of his union's conference, at which the Isle of Grain dispute promises to be a very live issue, attacked "provocative statements" by other unions which were, he said, deliberately taking over the jobs of the engineers, or laggards.

In London, Mr. Frank Chapple, general secretary of the Electrical, Electronic, Telecommunication and Plumbing Union, said yesterday: "There is no way I will agree to elec-

tricians getting half the wages of the laggards, no way at all."

The third union whose members are involved in the dispute—the Transport and General Workers' Union—made no comment yesterday in advance of the TUC's intervention. However, it is also thought to be unhappy with the open-ended bonus arrangement presently enjoyed by the laggards.

The GMWU executive has given Mr. Barnett full authority to take whatever action he considers necessary to protect the interests of the union's members at the Isle of Grain.

This could include widening the dispute unless the increasingly serious inter-union disagreement can be calmed down by the TUC's internal machinery.

Mr. Barnett said that the moves by other unions to take over his members' work were contrary to clear TUC advice. The GMWU had complied with this advice but other unions had not.

More than 20 laggards are now

being trained by the two main contractors—the General Electric Company (GEC) and Babcock Power—in spite of the presence of GMWU pickets at the gate.

Both the EEPWU and the TGWU are convinced that the Central Electricity Generating Board would fulfil its threats to stop work on the site if work cannot be restricted.

The union was willing to follow a TUC recommendation and negotiate with the Central Electricity Generating Board but the board had refused to negotiate.

"We have asked the TUC to intervene to stop these practices which can do nothing but harm to the trade union movement. We have always been—we still are—willing to negotiate."

"But the atmosphere is hardly helped by the actions and words of other unions who are breaking with all trade union traditions in taking over the skilled work of other unions' members, refusing to follow TUC advice and engaging in public slanging."

Textile union loses members

POOR TRADE, due mainly to textile imports, caused loss of 2,000 members from the 57,000-strong National Union of Dyers, Bleachers and Textile Workers in the past year, delegates to the union's conference at Southport were told yesterday.

One of those made redundant was Mr. Les Hunt, the union's president. In a warning about the "alarming" redundancy rate in the woollen industry, Mr. Hunt said that among factories closing were some which had been completely modernised.

The conference resolved that the agreement restricting overtime to 11 hours in a 40-hour week should be strictly maintained in an effort to safeguard jobs. It backed a demand for a "substantial" pay rise without naming a target figure.

● **IPC DISPUTE:** Talks between the management of the International Publishing Corporation and chapel officials of the National Union of Journalists resume today in an effort to settle a dispute in which most of the group's magazines and the 1,500 journalists working in its business Press, magazine and book publishing divisions were suspended.

Mr. John Pearson, secretary of the NUJ group, said that the union saw the talks as an opportunity to find out the management's terms for resumption of work. The union claims back pay for the three weeks of suspension. IPC says it will negotiate on this as part of general wage negotiations.

● **TECHNOLOGY TALKS:** A further attempt to agree on ground rules for introduction of electronic news gathering equipment into Independent Television News begins tomorrow after the strike by members of the Association of Cinematograph, Television and Allied Technicians last week.

ITN said yesterday that both sides had fully accepted that the talks should proceed rapidly and agreement be reached by the end of June. ITN would then be the first major UK company to use the system, though three small ITV companies, Tyne-Tees, Grampian and Channel, have agreed to use it.

Clegg error talks planned

BY JOHN LLOYD

NEGOTIATORS for the management side of the Burnham Committee, covering primary, secondary and further education, will meet in London on Thursday to discuss the implications of the error made by the Clegg Commission in its report on teachers' pay.

This has resulted teachers accepting an offer four per cent higher than it should have been.

The error is likely to have a direct effect on the current negotiations on teachers' pay, which

have been referred to the Advisory, Conciliation and Arbitration Service (ACAS).

The local authority members of Burnham will tell ACAS that the "overpayment" by Clegg should mean that the award recommended by the arbitrators is 4 per cent lower than it would otherwise be.

The negotiations were referred to ACAS as the management side were offering 13 per cent while the teachers claimed a 20 per cent rise.

The mistake in the report,

which is thought to have been made because of the complexity of teachers' payments coupled with the inexperience of the Clegg secretariat—the Office of Manpower Economics—in dealing with the sector, is likely to increase the already considerable pressure on and in Government to scrap the commission.

Last week in the Commons, a Bill introduced by Conservative MPs under the 10-minute rule calling for the abolition of the commission was passed by a large majority.

Thatcher 'misled' House on cuts

BY PHILIP BASSETT, LABOUR STAFF

THE PRIME MINISTER "seriously misled" the House of Commons last week when she announced the Government's latest round of Civil Service manpower cuts, Mr. Ian Wrigglesworth, Shadow Civil Service Minister, said yesterday.

Senior Whitehall officials will today be examined on details of the cuts by the all-party Commons select committee on the Treasury and Civil Service.

The cuts are also likely to come in for heavy criticism at the annual conference of the Society of Civil and Public Servants, the second-largest Civil Service union, which opens tomorrow.

Mr. Wrigglesworth told a Labour Party meeting in Middlesbrough that Mrs. Thatcher had not made it clear enough that many of the cuts to 75,000 posts over the next four years had already been announced.

So "the statement was nothing more than a cheap propaganda exercise, once again using the Civil Service as a convenient political football and a scapegoat for the failure of Government policies."

Mr. Wrigglesworth said the only conclusion to be drawn was that the Prime Minister was more interested in cheap

political gimmickry than in seeking genuine improvements in the efficiency of Government services.

As head of the Civil Service, Mrs. Thatcher now had a responsibility to show how the cuts would be implemented in individual departments, to give a full breakdown of the cost involved in hiring off Government services to the private sector, and to specify exactly which services were to be either reduced substantially or ended completely as a result of the cuts, and whether legislation was to be introduced to wind up any Government activities.

Parliamentary business this week

TODAY

COMMONS—Housing Bill, remaining stages. Dental Qualifications (EEC Recognition) Order.

LORDS—Transport Bill, committee. Dental Qualifications (EEC Recognition) Order.

SELECT COMMITTEES—

Energy. Subject: Government's nuclear power programme. Witnesses: South of Scotland Electricity Board, Scottish Office. 4.15 p.m. Room 6.

Treasury and Civil Service. Subject: Efficiency of the Civil Service. Witnesses: Civil Service Department, Department of Health and Social Security, Department of Environment, Ministry of Defence, Inland Revenue. 4.30 p.m. Room 15.

Public Accounts. Subject: Treasury Minute and inclusion of estimate figure in Appropriation Accounts, and National Insurance error in accounting for attendance allowance. Witnesses: Depart-

ment of Health and Social Security. 4.45 p.m. Room 16.

TOMORROW

COMMONS—Housing Bill, remaining stages. Upholstered Furniture, Safety Regulations.

LORDS—Employment Bill, second reading.

SELECT COMMITTEES—Foreign Affairs, Overseas Development Sub-committee. Subject: Development Divisions. Witnesses: Overseas Development Administration of the Foreign Office. 5 p.m. Room 15.

WEDNESDAY

COMMONS—Social Security (No. 2) Bill, remaining stages. LORDS—Short debate on multi-coloured blind. Short debate on conservation of Antarctic marine living resources. Trees (Replanting and Replacement) Bill (HL), committee. Short debate on wire-tapping.

SELECT COMMITTEES—Ed-

ucation. Subject: Courses in higher education. Witnesses: Lord Harris of High Cross, Mr. Alan Maynard, Maureen Woodhall, Prof. C. T. Sandford, Lord Robbins, Sir Charles Carter. 10.30 a.m. Room 6. Welsh. Subject: Employment opportunities in Wales. Witnesses: National Coal Board. 10.30 a.m. Room 16.

Agriculture. Subject: Economic social and health implications for UK of Common Agricultural Policy on milk and dairy products. Witnesses: Mr. Peter Walker, Minister for Agriculture. 11 a.m. Room 5. Public Accounts. Subject: Consolidated Fund, UK contributions to budgets of EEC. Witnesses: Treasury, Ministry of Agriculture. 4 p.m. Room 16. Transport. Subject: Channel Link. Witnesses: European Channel Tunnel Group. 4.15 p.m. Room 17. Social Services. Subject: Public Expenditure on social services. Witness:

Mr. Patrick Jenkin, Social Services Secretary. 4.30 p.m. Room 8. Welsh. Subject: Employment opportunities in Wales. Witnesses: Confederation of British Industry. Wales. 4.30 p.m. Room 15.

THURSDAY

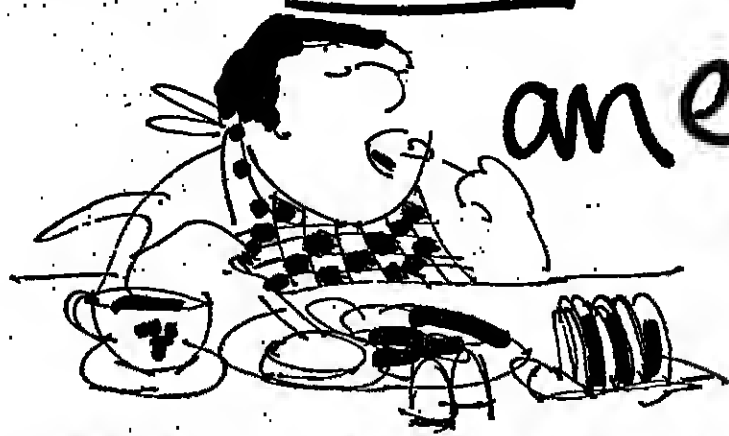
COMMONS—Housing Bill, completion of remaining stages until 2 p.m. Consideration of Lords Amendments to Social Security Bill.

LORDS—Edward Barry and Doris Ward (Marriage Enabling) Bill, second reading. Upholstered Furniture (Safety) Regulations. Short debate on congestion in public search room at General Register Office.

FRIDAY

COMMONS—House rises for spring adjournment. LORDS—Royal Assent to Bills. House then rises for spring adjournment.

Stakisfaction
is going to work
on more than
an egg.



It's easier to stand up to the hassles on the outside, as long as you're comfortable inside.

That's why, at 22 Stakis Hotels in Scotland and England, we get you off to a flying start by sitting you down to a good, wholesome cooked breakfast.

We hope it rounds off your stay with us, and your experience of the special Stakis ambience: the bedroom with bathroom ensuite, the colour television, the radio, telephone, tea & coffee-maker. And the little extras we would never think of putting on your bill — the bowl of fresh fruit in your room and the morning paper with your bacon and eggs.

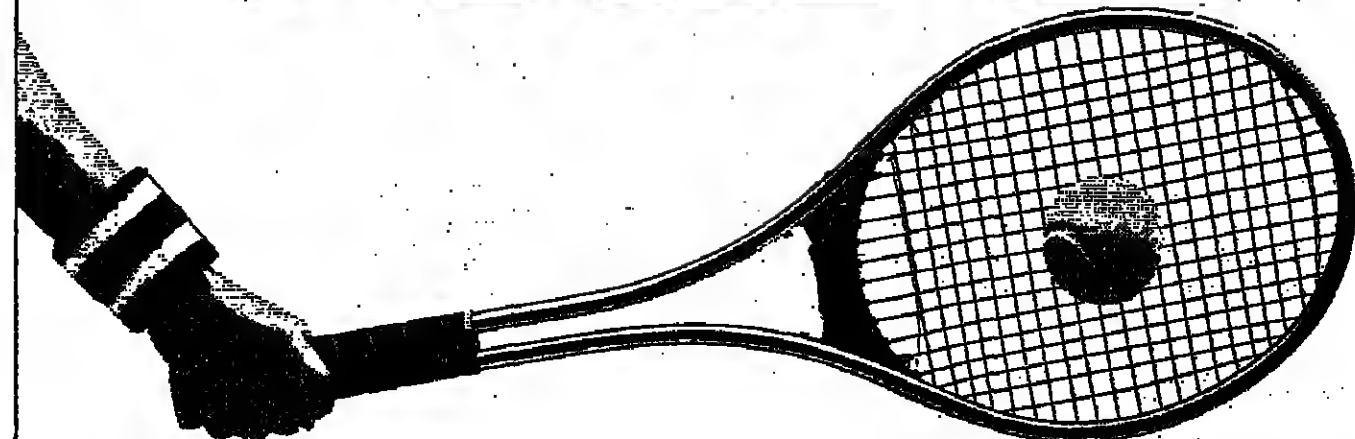
All of which adds up to Stakisfaction, guaranteed at all Stakis Hotels. So come out of your shell and let us prove that Stakisfaction is going to work on more than an egg.

Stakis Hotels
The guarantee of Stakisfaction

ABERDEEN: Royal Darnoch Hotel 0224 48811. ABERDEEN: Cowlbridge Hotel 0479 810661. Ayr: Station Hotel 0292 63268. BRADFORD: Norfolk Gardens Hotel 0274 34733. DUNELANE: Dunelane Hotel 0786 822551. EDINBURGH: Commodore Hotel 031-336 1700. FALKIRK: Park Hotel 0324 28331. GLASGOW: Burnbrae Hotel 041-942 5951. Burnside Hotel 041-634 1276. Ingram Hotel 041-248 4401. Mount Vernon Hotel 041-778 5541. Pent Hotel 041-334 9151. Radburn Hotel 041-638 6465. GLASGOW AIRPORT: Normandy Hotel 041-826 4100. GORRUCK: Gorruck Hotel 0475 34671. LEEDS: Windmill Hotel 0532 732323. NEWCASTLE-UPON-TYNE: Airport Hotel 0661 24911. NOTTINGHAM: Victoria Hotel 0602 45561. PAISLEY: Watermill Hotel 041-889 3201. PERTH: City Mills Hotel 0738 26281. STIRLING: Station Hotel 0786 2017. STOKES-ON-TRENT: Grand Hotel 0782 22361. Average room rates approx. £22 per night inclusive of FULL BREAKFAST and VAT.

Sales & Reservations Department: 284 Buchanan Street, Glasgow G1 2NE. Telephone: 041-221 4343. Telex: 778704 or 210 Grand Buildings, Trafalgar Square, London WC2N 5HN. Telephone: 01-930 0342. Telex: 8954320

Starts Today.



This is the day the Federation Cup begins. For one week, Berlin's Rot will be the site of one of tennis' most famous competitions. Great inter-women's tennis stars from 32 countries compete for the chance to win this esteemed title. NEC, a leader in communications and computer technology, is proud to sponsor this match, and will be presenting the Federation Cup for the next three years (1980 in West Berlin, 1981 in Japan, and 1982—venue to be decided). We look forward to seeing you at courtside.

Weiss Club
national

Dates: May 19-25, 1980
Venue: Rot-Weiss Club
Oberhaendter Weg 47-55, 1000 Berlin 33, Federal Republic of Germany
Organisers: International Tennis Federation, in cooperation with the Tennis Federation of the Federal Republic of Germany
Sponsor: Nippon Electric Co., Ltd.



NEC Presents

The Federation Cup '80

Building and Civil Engineering

£18m contracts won by Matthew Hall

MATTHEW HALL Mechanical Services has major contracts totalling approximately £18m for work in the commercial, industrial and housing sectors.

The largest of these, at £11m, is for services including air conditioning, electrical, fire engineering, heating and plumbing, in the new Cutlers Gardens Development, London EC2, for Standard Life Assurance Company in conjunction with Greycoat Estates.

This 44-acre site will comprise both the refurbishment of existing buildings, retaining some of the 18th century facades, and the construction of new, low-rise granite buildings. The complex will provide a wide range of self-contained office units together with squash courts, gymnasiums, shopping arcade, restaurant, executive flats and car parking facilities. Two acres will be landscaped.

Other commercial contracts include building engineering services, valued at approximately £2m, in the new, 10-storey Hammam Smith International Centre, London W6 for Sir William Halcrow and Partners, and the major refurbishment of services at Woolgate House, EC2, for The Chase Manhattan Bank, N.A. also at £2m.

Two substantial contracts are being carried out at Solihull, West Midlands, for BL Cars.

These include heating and industrial piped services for extensions to production facilities, and amenity blocks, and the installation of new heating system boilers and compressors together with associated pipework.

In the housing sector, a major contract for the upgrading of heating systems in some 1,700 dwellings, is now being undertaken for the London Borough of Southwark at their Aylesbury Estate, SE17.

£8m store for Tesco

JOHN LAING Construction has won a contract worth nearly £8m for a department superstore, plus a market hall, covered mall, and multi-storey car park, to be built on a site fronting the High Street at Chatham, for Tesco Stores.

Work involves construction of a two-storey building comprising a sales floor and an upper storage floor, topped by a roof car park, providing a total gross floor area of about 10,000 square metres.

A single storey covered market hall with associated storage space will be linked to the superstore by a covered mall. Adjoining the complex will be a six-storey car park with space for up to 500 vehicles.

£5m Norwest Holst contracts

TWO CONTRACTS, each worth £2m, have been awarded to Norwest Holst by the British Gas Corporation.

These are the largest of several awarded to the group and bring the total to nearly £5m.

The Gas Corporation contracts are for mains and service pipe laying in the Gloucester, Swindon, Bristol, Blackwood, Ebbw Vale and Pontypool districts.

In Scotland, Norwest Holst is building a single-storey resid-

ence for handicapped students at Motherwell Technical College (£733,412) while at Canning Road, Southport, Lancs, it is providing bus washing and fuelling facilities for the Merseyside Passenger Transport Executive (£121,620).

On the other side of the world, one of the Group's member companies, McGregor Construction Australia, is reconstructing Railway Parade, Woodford, New South Wales for the Council of the City of the Blue Mountains (A\$193,539).

Emirates cement plant

Fujairah Cement Industries Company has chosen Blue Circle as consultant for the installation of a 530,000 tonne per annum dry-process cement plant in the United Arab Emirates. It is hoped that formal signing of the agreement will be completed within the next two weeks and construction will begin later this year.

The Fujairah Cement Company has placed the supply of equipment contract with Voest Alpine and Co. of Austria. Completion is expected in April 1983.

The consultancy contract, which is a fixed price contract, is worth approximately £1m to Blue Circle, who will act a project manager for the whole of the contract.

Wimpey wins £10m worth

JUST ON £10m worth of contracts have been won by Wimpey. Two of them, awarded by J. Sainsbury, are together valued at £2.7m. One at Rayleigh Weir, Essex, is for the construction and fitting out of a single storey supermarket plus six sublet shops and car park and external works. The other is for the fitting-out of the Sainsbury supermarket at Dagenham Heathway, part of the Norwich Union Development which is also being carried out by Wimpey.

In Glasgow Wimpey has won a contract worth over £2.2m from Scottish Special Housing Association for the construction of 142 dwellings. The site is at Mauchline Road, Parkhead, Glasgow, and the development is scheduled for completion in October, 1981.

Another housing job for the company is for Nottingham City Council for the completion of phases 3 and 4 of the Edwards Lane scheme.

This £1.4m contract calls for the modernisation and repair of 185 dwellings while the

residents are in occupation and is due for completion by the end of December.

In the industrial field, Wimpey has won a £2.2m contract from French Kier Property Investments for warehouse units at the Mead Industrial Park, in the Templefields Industrial area, Harlow, Essex, and in Hall the company has been awarded a £1.8m contract by Unilever to cover alteration and modernisation of a building to form a new factory for manufacture of frozen fish products for Birds Eye Foods.

£5.8m award to Rush & Tompkins

RUSH AND TOMPKINS is to build a new head office for UK Provident under a £5.8m contract, the building to be known as United Kingdom House. This will be situated at Castle Street, Salisbury, Wilt., and includes an office block on two and four floors, two-storey amenity block with staff restaurant, conference and training facilities.

Full air conditioning and sound reducing windows will be used in the building which will have a gross area of some 91,000 square feet.

Both buildings are to be of reinforced concrete construction on concrete bases with ground beams supporting walls of faced brick cavity construction. Areas of vertically-hung tiling will be used to complement the facing brickwork on the Castle Street frontage.

The reinforced concrete mansards and dormers of the office block will be covered with hand made tiling and leadwork and the flat roof areas will be finished with insulated asphalt.

Amenity block differs in that the roof is to be formed mainly by framed steelwork with steel trusses supporting timber rafters and bearers. Felt clad insulated metal decking will be used for the flat roof area. Plant rooms are to be built in the roof spaces to accommodate the sophisticated machinery necessary for a controlled environment.

External works include a landscaped courtyard surrounded on three sides by the office building, a feature entrance, floodlighting, car parks and drainage.

The construction period is two years.

Putting in new installations

REPLACEMENT of boiler plant and renewal of external distribution mains, which serve the heating system of the Victoria and Albert, Science, Natural History and Geological Museums in South Kensington, London, is to be undertaken by Young

Austen and Young at a cost of over £1m. This is the largest of three building services contracts worth a total of £3m awarded to the company which is a member of the UK Building Division of Trafalgar House.

Old boiler plant is to be replaced by new pumps and water treatment plant will be installed. Consulting engineers are Isberwood, Boyd and Atkinson.

In Queen Anne's Gate, London SW1 an 80-year-old office building is undergoing major refurbishment by Troilope and Colls (City) and for this Young Austen and Young has designed and is installing full air-conditioning and mechanical services. The work valued at £650,000 is for Builders Amalgamated and will be completed by September.

The third project is in Ipswich at Tollemache and Cobbold Breweries' new central distribution warehouse on the Whitehouse Industrial Estate. Young Austen and Young has designed the services which include planning, heating, ventilating, installation cold store and kitchen services equipment. This contract which is for Cementation Projects is valued at £250,000.

PLANT AND MACHINERY SALES

- ROLLING MILLS**
12in x 30 in x 35in wide x 400 hp Four High Reversing Mill.
5in x 12in x 10in wide variable speed Four High Mill.
3.5in x 8in x 5in wide variable speed Four High Mill.
10in x 16in wide fixed speed Two High Mill.
10in x 12in wide fixed speed Two High Mill.
6in x 16in x 20in wide Four High Mill.
150 x 100 mm x 15 hp Two High Tape Rolling Mill.
110 x 100 mm x 10 hp Two High Tape Rolling Mill.
- WIRE FLATTENING AND NARROW STRIP ROLLING MILL**
Two stand by RWV, 10in x 8in rolls.
- DECOIL AND CUT-TO-LENGTH LINES**
1500 mm x 3 mm x 10 Ton and 15 Ton Coil.
1000 mm x 2 mm x 5 Ton Coil.
750 mm x 3 mm x 5 Ton Coil.
400 mm x 3 mm x 2 Ton Coil.
- SLITTING LINES**
1220 mm x 3 mm x 5 Ton Coil.
920 mm x 5 mm x 10 Ton Coil.
920 mm x 2 mm x 2 Ton Coil.
300 mm x 1.5 mm x 1 Ton Coil.
36in and 48in Sheet Slitters.
- WIRE DRAWING MACHINES**
6 Block, in line, variable speed (560 mm x 25 hp D.C.)
9 Block, non slip cumulative (610 mm x 25 hp A.C.)
8 Block, non slip cumulative (560 mm x 25 hp A.C.)
6 Block, non slip cumulative (356 mm x 75 hp A.C.)
Horizontal Drawblock variable speed (915 mm x 75 hp D.C.)
Horizontal Drawblock variable speed (436 mm x 15 hp D.C.)
Vertical Drawblock (2) variable speed (1610 mm x 25 hp D.C.)
15 Die Cone type and Spooler, 4300 ft/min (2 machines)
9 Die cone type and finishing block, 730 ft/min.
- SHEARS AND GUILLOTINES**
122 mm x 25 mm Cincinnati Plate Shear.
510 mm x 16 mm/50 mm x 50 mm PELS Scrap Shear.
2.5 m x 3 mm Hydraulic Guillotine, Keetons.
- SHEET LEVELLING ROLLS** 920, 1,150 and 1,850 mm wide.
- HYDRAULIC SCRAP Baling Press, Fielding & Platt.**
- FORGING HAMMER** 3 cwt, slide type, Masey.
- AUTOMATED COLD SAW**, non-ferrous, Noble & Lund.
- BAR & TUBE REELER** 75 mm capacity.
- ROTARY SWAGING MACHINE**, 35 mm capacity.
- 28" COLD SAW**, non-ferrous, Noble & Lund.

Wedgebury Machine Co. Ltd.
Oxford Street, Bristol
Tel: 0902-42541/2/3 - Telex: 336414

WICKMAN & SP. AUTOMATIC 11" rebuilt to maker's limits.
WICKMAN & SP. AUTOMATIC 14" rebuilt to maker's limits.
WICKMAN & SP. AUTOMATIC 21" rebuilt to maker's limits.
200 TON HYDRAULIC PRESSES. Excellent.
LARGE INTERNAL GRINDER, swing 5ft, excellent.
200 TON CLEARING PRESS, inch stroke.

ROLLS TOOLS LTD.

154/5 Blackfriars Road, London SE1 6EN
Tel: 01-728 3131 - Telex: 261771

Douglas gets £5½m worth

AMONG RECENT awards totalling £5½m won by R. M. Douglas Construction, is a £2.2m work-shops and transport depot at Darlaston for Wincanton Transport.

Other work includes a swimming pool at Widnes for Halton Borough Council (value £1m); provision market for Carmarthen District Council (value £935,000); and surface and joint repairs at Thornbridge Viaduct, E6 motorway for the West Midlands County Council worth £579,000.



Anything you want built,
anywhere in Scotland
contact
Gilbert Ash
041-248 2511
Regional House, 100 George Street, Glasgow

Irrigation in Bangladesh

FINANCED BY the International Fund for Agricultural Development, is a US\$45m project for irrigation in Bangladesh for which Sir M. MacDonald and Partners has been appointed for consulting services in conjunction with Hunting Technical Services and Sarm Associates.

Aim of the first stage of the scheme, in the district of Kushtia, Jessore and northern Faridpur, is the identification of specific development projects based primarily on ground-water irrigation for subsequent implementation as part of an integrated agricultural development plan.

This will include the supply of water, fertiliser, seed and credit, and will comprise specific developments concentrating on the smaller farmers. It is also proposed to supply irrigation water to adjacent areas.

Pernod Ricard S.A.

through a wholly-owned subsidiary has acquired

Austin, Nichols & Co., Incorporated

from

Liggett Group Inc.

The undersigned initiated this transaction and acted as financial advisor to Pernod Ricard S.A.

Bear, Stearns & Co.

Atlanta/Boston/Chicago/Dallas/Los Angeles/New York/San Francisco
Amsterdam/Geneva/London/Paris

May, 1980

BEAR STEARNS

This advertisement appears as a matter of record only.

NEC Relays.

All the action of next week's Federation Cup will be relayed live to viewers in twenty-five countries via satellite earth station equipment, much of which was designed and manufactured by NEC. In fact, NEC built over half of all the satellite earth stations operating today.

But satellite communications is only a part of what NEC does. As one of the world's largest integrated electronics makers, NEC has a leading role in almost every aspect of computers and communications. From tiny LSI's to full scale digital switching systems to telecommunications networks, NEC technology and reliability is in constant demand around the world.

NEC The Computer and Communications Company.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

IN THE OFFICE

Typewriter has many roles

TOMORROW at the International Word Processing Exhibition at Wembley, Exxon Information Services will launch QYX, described as an intelligent typewriter.

Offering a combination of automatic typing aids and convenience features such as automatic erasure, automatic centre and decimal tab, dual pitch and proportional spacing, push-button type-style changes, and automatic recall of frequently used phrases and formats, QYX provides greater versatility and faster, easier and more productive typing.

QYX is available with upwards compatibility through five levels, upgradable in the office

as needs change. As an electronic memory typewriter, floppy disc text editor, single line display text editor, or a communicating text editing system, able to communicate with other equipment from the group, the new unit cuts into every "office of the future" field.

Starting at £1,290 QYX gives capacity for total electronic business communications on every secretary's desk.

QYX will be handled by VYDEC, part of Exxon Information Systems, to offer sharp competition to Olivetti and IBM in that order.

Further from VYDEC (UK), Carlisle Place, London SW1P 1HT (01-894 9070).

TEXTILES

Wool carding invention

A NEW mechanical wool carding process, which removes dirt and separates wool fibres without using chemicals and with minimal damage to the fibres, has been developed jointly by staff at Leeds University and a Keighley, Yorks, company.

Dr. Bill Oxenham and Mr. Ian Wilson of the University's Department of Textile Industries have collaborated with Sir James Hill and Sons to develop the process. Trials over the past year have shown that the new process will not only enhance the quality of the wool but will also be able to handle fine wools and synthetics with the minimum of fibre breakage.

Since removal of vegetable particles and dirt after fabric production is very expensive, mechanical carding processes hitherto used to deal with contaminated wool have had to be vigorous in action to remove effectively all traces of impurities and they have therefore tended to damage the fibres and reduce the quality of the wool.

The alternative treatment, which is to use chemicals to dissolve away vegetable matter, also downgrades the quality of the wool and adds to the cost. The new process substantially avoids these problems, it is stated.

University of Leeds says that with support from the Garment and Allied Industries Requirements Board of the Department of Industry (GARIB) and the co-operation of Wm. R. Stewart and Sons (Hacklemakers) of Dundee a full development programme is in progress. The work will quantify the expected

lower capital costs, running costs and space and energy requirements in comparison with current wool carding machines.

Patents have been filed in Britain and abroad by University of Leeds Industrial Services and licensees for manufacture of the equipment will be sought during the development programme.

Stitcher is given a brain

LATEST ADDITION to the Trubenised range of automatic stitching machines is the microprocessor controlled sequential feed unit, the System 1650. This is claimed by Trubenised as the leader in its field and it is also the only machine based on a microprocessor that is of UK development and manufacture.

It has the ability to cover any number of sewing programmes within a single cycle and has a particular value for reducing multi-handling work to a single operation. It offers manufacturers the ability to de-skill the sewing requirement and to obtain uniform results.

This profile stitcher has its own programming unit that can be operated by a non-expert with ease. A dynamic working memory and 85,000 character floppies provides adequate speed. Needle drag is eliminated and stitching accuracy is high.



Parts of any degree of complexity in the size range 10 mm by 10 mm to 1,650 mm x 1,090 mm in quantities from 1 to 1,000-off can be produced at competitive cost within days in the majority of materials encountered in the manufacturing industries and can be readily cut by this laser unit in thicknesses of up to 4 mm for metal, 19 mm for plastics and 50 mm for wood. Other materials such as rubber, asbestos, reinforced plastics etc. can also be easily cut on the equipment, installed by N. C. Laser Cutting Services at

Cark-in-Cartmel, Cumbria. Laser cutting is particularly cost-effective for short production runs as an alternative to press tool cutting. For example, components are at present being produced in quantities of 100 at a cost of £200 per batch. The cost of the same components by press tool cutting would be £1,500 per batch including the cost of the press tool. This aspect of laser cutting is becoming increasingly important as industry moves towards an increase in low volume production of high technology equipment. More on Rochdale 31277

A measure of its capabilities is an operating speed of 3 inches (75 mm) a second on 1 inch leather. It is equally suitable for work with thick textile materials.

Further details from Trubenised (Sales) at Trubro House, Woolmer Green, Knebworth, Herts, Stevenage SG2 8JL.

HANDLING

Coal on a slippery slope

TO SPEED the unloading of hopper cars used to transport trainloads of coal, Uniroyal Chemical Company has an approach that involves spraying the interior surfaces of the hopper cars with a slippery, abrasion and corrosion resistant coating of a urethane formulation called Vibraspray.

Field tests have established

that coal, which is often difficult to discharge from open hopper cars in the winter, does not cling to either the sides, slopes or the discharge doors of the car when they are urethane coated, but drops out cleanly. This virtually eliminates the need for costly and time-consuming shaking of the cars. In addition, the Vibraspray releases characteristics reduce both abrasion and corrosion and therefore extend the service life of the coal hauling equipment.

The application method for Vibraspray is simple, speedy and solvent-free. A coating of urethane from 15 to 30 mils thick can be laid down in a single pass. It sets up quickly—in 45 to 60 seconds. In addition, because the system is solvent-free, many of the potential toxicity problems usually associated with solvent sprays are eliminated and in addition, flammability hazards are reduced.

Uniroyal has tested a range of Vibraspray coating thicknesses for efficiency, economics and durability. Optimum thicknesses established to date are 40 to 60 mils for this application.

Although most of the evaluations have been on the unloading of coal, Uniroyal is also assessing the applicability of its Vibraspray technology to other bulk haulage commodities such as rock products and ores.

Uniroyal Chemical Company, Spencer Street, Naugatuck, Conn. 06770, U.S.

COMPONENTS

Heat level tightly controlled

THERMOSTATIC mixing valves incorporating an entirely new method of temperature control and launched by shower manufacturer Walker Crossweller and Co. of Cheltenham, have been designated the Mira 15 series.

The new valves are superior in that they give faster, more accurate control, over an extremely wide pressure range, ensure maximum user safety and require less maintenance. Furthermore a longer working life is achieved by the intrinsic design and the materials used. The accuracy and reliability of the new unit makes it ideal for any industrial or chemical process that requires a consistent supply of water at a precise temperature within the 30 deg C to 50 deg C range.

The valve is so accurate that it will allow only a 1 deg C change in the blend temperature even after a change up to 10 deg C in either inlet temperature. Process safety is also guaranteed because of the valve's extremely fast response time. In the event of cold water failure, total shut-off can occur in approximately 1.5 seconds.

Fitting is said to be easier and cheaper because the valve has its own built-in strainers and isolating check valves. Thus when fitting the valve, only two connections are required instead of eight. The inclusion of isolating valves contributes considerably to simple fast maintenance. In the event of the valve requiring servicing, the water supplies are turned off using the isolating valves. The thermostatic unit which is of cartridge design can then be quickly removed for servicing or replacement. However, to make servicing less expensive, individual components are available.

The secret of the advanced performance of the Mira 15, says the company, lies in the "thermostatic element" controlling the mixing of hot and cold supplies. This consists of a surface area, and containing an extremely temperature-sensitive "polyteutic" compound which expands or contracts according to the mixed water temperature.

This moves a flexible phosphor bronze metal seal on the unit which in turn regulates the hot and cold inlets

via a simple proportioning mechanism.

In normal use, the valve is said to go further than any other design in positive accurate control despite gross fluctuations in hot and cold supply pressures. With an unrestricted outlet, even a 50 per cent change from equal in the inlet pressures gives a less than 1 deg C change in blend temperature. Temperature stability is maintained even when the back pressure is as high as 80 per cent of the lower inlet pressure.

Walker Crossweller claims that the low stress design of the thermostatic element also results in greater reliability and a working life estimated at around 10 years' normal use. With a total operational force of 22 kg, the thermostatic element develops more than sufficient force to clear build-up of scale on the valve seats. In fact the whole valve has been designed to minimise scale deposition thus contributing to long life.

Walker Crossweller and Co., Whaddon Works, Cromwell Road, Cheltenham, Glos., 0242 27963.

Imports threaten brassfounders

ONE OF Britain's oldest established industries—the brassfounders—believes that its trading position is being severely eroded by imports, announces the National Brassfoundry Association, 5 Greenfield Crescent, Edgbaston, Birmingham B15 2JF.

Value of imports in the first three months of this year in kitchen and bathroom taps,

mixers and related brassware products (in which the British have been traditionally strong) have shown an exceptional increase of 77 per cent over that of the same period last year.

Members of the Association are now to lobby MPs at a meeting to be held at the House of Commons on June 23 when they will express concern at what is a direct threat to employment in their factories—even, per-

haps, plant closures—as a result of the increase in imports, which have developed from a steady flow to a flood.

Principle challenge to the UK product is from Italy. This accounts for half of the new total, with West Germany coming second. While German products are of a type and price competitive to British effort, those from Italy are causing major concern.

Circuits made fast and clear

OFFERING BOTH high photographic speeds and high image resolution is a new negative photoresist for the circuit production industry put on the market by Philip A. Hunt Chemical Corporation, a company in which Turner and Newall of Manchester has a 63.5 per cent interest.

Known as HNR 999, it allows the use of high scan settings on projection mask aligners while reproducing original mask dimensions more closely than is usually possible at these speeds.

Depth of focus on projection also becomes less of a problem.

The new photoresist is compatible with existing production equipment and processes and will be supplied as a ready-to-use liquid in one gallon containers.

An interesting indication of the extremely small dimensions now becoming commonplace in modern "chip" production is the fact that manufacturing procedures for the new resist include filtration down to 0.2 of a micron.

Available in the UK from Hunt Chemicals, Torrington Avenue, Coventry, CV4 9TB (0203 467914).

Tiny power controllers

THICK-FILM CIRCUITS using silicon chips for the control of electrical loads up to 3,000 watts have been introduced by United Automation and have dimensions of only 49 x 16 x 6.4 mm.

For connection to 240 volt 50/60 Hz mains, these hybrid units offer a 50:1 size reduction and considerable saving in cost when compared with conventional units for the same purpose assembled from discrete components.

Types are available rated at 10 or 15 amps and both are three-terminal devices able to

control up to 3 kW using phase angle methods. When fitted with a potentiometer—large tabs with a suitable hole are provided or the device can be supplied in other forms with the control potentiometer built in—the load power can be smoothly controlled from zero to 99 per cent.

Applications will occur in heater control and in the variation of motor and lighting loads in many parts of industry. United Automation is at 237a Liverpool Road, Birkdale, Southport, Merseyside PR8 4PF (0704 63713).

thurley

DIRECT GAS-FIRED SPACE-HEATING AND PROCESS HEATING

See us on Stand IF-34 at HEVAC-80 May 19th-23rd N.E.C. Birmingham

Ripon Road, Haregate, N. Yorks. Tel: 61511 Telex: 67859

RESEARCH

Finding a better material

U.S. INDUSTRY annually supports \$4.3bn in materials research and development, according to a study by Battelle's Columbus Laboratories.

Conducted for the Interagency Federal Committee on Materials (COMAT), the study showed that 26 per cent of the expenditure was for the chemical industry. Other industries supporting major efforts included fuels and energy materials, 15 per cent of the total; metals, 12 per cent; and plastics and rubber, 10 per cent.

A similar, earlier study conducted by Battelle for COMAT, showed that in fiscal year 1976 the U.S. government funded almost \$1bn in this area.

The Battelle study, which is based on 1977 and 1978, found that materials R and D performed in direct support of improved materials use is about 70 per cent of the total directed effort.

Supply-related effort is about 25 per cent of the total, and that related to waste management and post-consumption salvage of materials accounts for about 5 per cent.

The study found industrially-funded materials research and development is heavily weighted toward the national goals of material supply (1.6bn), energy supply (\$1.1bn), standards of living (\$766m), and maintenance of a business economy (\$599m). Battelle, Columbus Laboratories, 508 King Avenue, Columbus, Ohio, U.S. 43201.

CONTRACTS AND TENDERS

PAPUA NEW GUINEA ELECTRICITY COMMISSION

TENDER NO. 2/77
WARANGOI HYDRO-ELECTRIC SCHEME
ELECTRICAL AND MECHANICAL WORKS

Tenders are invited from manufacturers of water-driven turbo-generators, for the provision of two (2) machines each of 5MW nominal capacity, and associated equipment and materials, all in accordance with Specification No. 2/77 (Lor. No. 3). The Contract covers the design, manufacture, delivery, and commissioning of the specified plant, and for the supervision of installation which will be carried out by staff of the PNG Electricity Commission.

Tender documents (For East tenderers) are available at a cost of K100 (PNG Kina) per set, from the Commission's Office at:

P.O. Box 105,
BOROKO, PAPUA NEW GUINEA
(Telex No. NE2121)
and otherwise at a cost of N.K.750 (Norwegian Krona) from the following address of the Consultant for the Project:
Norconsult A.S.,
P.O. Box 9,
1322 Hovik (Phone No. 02-53 00 00)
NORWAY (Telex No. 18015 Norco N)

TENDERS CLOSE AT THE OFFICE OF THE COMMISSION AT 1.00 PM ON 15TH AUGUST 1980

If expertise in securities is money, Yamaichi is worth fortunes.

With over 80 years experience, Yamaichi is one of Japan's foremost securities firms, providing the complete expertise you require to maximize opportunities in the securities field.

With the establishment of the yen as a leading international currency, our brokerage business on behalf of foreign clients in Japan has enjoyed unprecedented success. Success that can be attributed directly to our position of leadership among Japanese securities companies. Success that makes us your ideal partner in all aspects of the securities business: underwriting, brokerage, distribution, dealing, research, and investment banking.

Yamaichi's offices on four continents are linked by a 24-hour-a-day "hotline" which gives our international clients immediate access to data pertinent to their needs—up-to-the-minute stock quotations, economic and industrial studies, corporate evaluations, and investment and bond market analyses.

If you're looking for expertise in securities, consult Yamaichi. In Japan and throughout the world, we have the know-how necessary to offer you immediate and comprehensive assistance with your investment requirements.

Uncommon vision in international finance.



YAMAICHI

YAMAICHI SECURITIES CO., LTD. Head Office: 4-1, Yama 2-chome, Chuo-ku, Tokyo 104, Japan Telex: 722265 Tel: 275-5111 Paris Office: 23, rue de la Paix, Paris 2e, France Telex: 62886 Tel: 01-25-330 Yamaichi International (Europe) Limited: 15th Floor, 30, Abchurch Lane, London, EC4N 3SA, England Telex: 120087/143 Tel: 01-436-2771 Yamaichi International (Netherlands) N.V.: Frederiksplein 1, Amsterdam, The Netherlands Telex: 15772 Tel: 020-34436 Yamaichi International (Deutschland) GmbH: 600 Frankfurt am Main, Stockmühler Landstrasse 51-53, Rhein-Main-Center, 4 Bänge, F.R.G. Telex: 4-16996, 4-16977 Tel: 061-77-7251 Yamaichi (Switzerland) Ltd.: Goldstrasse 17, 800 Zurich, Switzerland Telex: 952613 Tel: 01-262-9494

New York, Los Angeles, Montreal, Hong Kong, Singapore, Bangkok, São Paulo, Seoul



NOW HELP US TELL AMERICA ABOUT

WORLD BANKING

Today's Financial Times survey is going to appear a second time—in World Business Weekly on July 7th and 14th.

World Business Weekly is a close relative of the FT—it is published each Monday in New York as a 64-page magazine containing news items and background on world business trends. Material from the Financial Times is specially selected and re-edited for the internationally-minded business community of North and South America.

Since its launch in October 1978 "WBW" has attained a weekly circulation of 20,000, predominantly in the USA, with a wide distribution among the different business centres. It is rated as a first-class guide to what is happening in the business world outside the Americas.

On July 7th and 14th a specially condensed and adapted version of today's Survey will tell America all about World Banking (a two-part Survey).

If you would like to help us tell the story by taking advertising space in WBW, get in touch at once with: NEW YORK: Bud Ward, Advertising Director, World Business Weekly, 135 West 50th Street, New York, NY 10020. Tel: (212) 245 7784. Telex: 428554. LONDON: Richard Oliver, International Advertisement Manager, World Business Weekly, Bracken House, 10 Cannon Street, London EC4P 4BY. Tel: 01-248 8000. Telex: 889037.

FINANCIAL TIMES OF LONDON
World Business Weekly

We've a good head for property management



Steven Prevezer, a partner at Barrington Laurance, heads up our Property Management team.

The expert service they offer covers not only every aspect of day-to-day building management and rent collection, but extends to encompass the constant monitoring of opportunities to maximise both income and capital.

As well as this service, Barrington Laurance handles all other aspects of commercial property in the UK and overseas, including valuation, building surveying and professional, financial and investment advice.

Barrington Laurance
Property Consultants and Valuers
71 South Andley Street, London W1F 6ED. Tel: 01-491 3432 Telex: 261988

Casting a solid future—the German way

Continuing our occasional series, Roger Boyes examines the unusual resilience of Thyssen, Europe's biggest steel producer

DR. DIETER SPETHMANN, the chief executive of West Germany's mammoth Thyssen steel group, is a scholarly, contemplative man who believes in management by persuasion, not dictat. Adapting one of Karl Marx's more memorable slogans, Spethmann believes that the force of persuasion is the midwife of change.

It is a philosophy which seems to have worked well, enabling Spethmann to steer Thyssen, Europe's largest steel producer, through the choppy waters of the steel crisis, outperforming all of its German competitors, and most of its other Western ones too.

Over the past decade, starting well before the crisis was all too obvious by its presence, the group has diversified out of crude steel at almost breakneck speed, spreading its wings into special steels, into trading and services and into capital goods. It is now able to offer clients an extremely wide product range, stretching from pig iron to high grade structural steels, from car brakes to locomotives.



WORLD STEEL
COPING WITH THE CRISIS

So why has Thyssen survived so well? Is the answer strategic planning or just good fortune? In an industry where muddled crisis-management is the watchword, Thyssen certainly seems to have more long-term perspectives than most other companies. "The aim," says Spethmann, "is to look beyond the present crisis and evolve a company that will be able to compete effectively in the 1980s, in a world of political and economic uncertainties."

Fine words—but other factors have come into play. Certainly, good fortune is one of them. But more important has been a certain dynamic awareness that has made for close links between the supervisory and executive boards. This in turn has made takeover moves and the whole "management by persuasion" approach more feasible.

The foundations of Thyssen's strategy were laid by Dr. Hans Guenther Sohl, who pulled together a going concern from the remnants of the pre-war Vereinigte Stahlwerke. As a young lawyer, Spethmann spent a period soon after the war trying to sort out the foreign debts of Vereinigte Stahlwerke and thus came to the notice of Dr. Sohl, who later decided to offer him the job of personal assistant. Three years later, in the mid-1950s, Sohl made Spethmann head of the Thyssen steel plant in the Saarland. Subsequently, the state-owned steel concern is expected to fall back into the red this year after just breaking even in 1979.

By the 1960s it was clear that

Spethmann was being groomed for at least a senior board position. In 1964, at the age of 37, he was made chairman of Thyssen's principal special steel concern, Deutsche Edelstahlwerke. The company boomed under his tutelage, diversified into new alloys for the aerospace industry and capitalised on the demand for rust free chassis for motor cars.

Spethmann returned to head office three years later and became effective deputy to Sohl. When the latter decided to give up the day-to-day running of the company, Spethmann was the natural successor.

But the key point is that Sohl then became head of the supervisory board, where he continues in an unusually active role. The close links between Spethmann as chief executive and Sohl in the supervisory board gave the group important room for manoeuvre in decision-making, and ensured that corporate power did not become too diffused.

Defining the limits

To bat extent have the ties between Sohl and Spethmann had an influence on Thyssen's strategy? In an age of steel industry transfer fees it is of course tempting to identify corporate success too closely with the activities/ambitions of the chairman. In Thyssen the situation is a little more complex. Some subsidiaries—Thyssen Handelunion for example—have relatively great clout within the group and by modifying head office strategy on the ground can influence the direction of the group as a whole. The finance director has an important role in strategic planning as well, effectively defining the limits of growth of the main divisions.

But the fact remains that the link between Sohl and Spethmann was an important element in ensuring the continuity of Thyssen policy from pre-crisis to post-crisis times. While other German steel companies initially responded slowly to the crisis and then over-reacted with sharp retrenchment and capacity cuts, Thyssen managed the transition relatively smoothly. Diversification and the integration of new companies into the group structure takes time—sometimes longer than the normal career span of an executive board chairman. By passing on the baton to Spethmann, however, Sohl has ensured that the guiding principles have stayed intact.

The approach inherited from Sohl had three main elements: first, broad diversification beyond crude steel production was clearly on the cards since Thyssen could see a crisis round the corner; second, expansion abroad, both in terms of steel-producing concerns and in other fields; and finally rationalisation within West Germany was clearly a priority.

The Sohl-Spethmann axis has been most evident in the diversification programme. One of

Sohl's last moves before departing for the supervisory board was a successful bid for Rheinstahl, a broadly-based crude steel producer in the Ruhr. The merger produced a company with an annual turnover of some DM 18bn (making it at the time in terms of turnover the second largest German group in any industry after Volkswagen), a workforce of more than 150,000 and total crude steel output of 14m tonnes.

Both Thyssen and Rheinstahl were doing badly, partly because of the collapse in steel demand in 1970, partly because of the rocketing cost of domestic and coking coal. But Thyssen bought in at a favourable price and everything hinged on how well Rheinstahl could be integrated into the group.

The move went well, though there are still a few digestion problems? Rheinstahl shed its chief loss maker, Hanomag, to Massey Ferguson, the Canadian manufacturer of farming and construction machinery. Rheinstahl's Emden shipping yard came as an immediate boost to Thyssen's shipbuilding activities, bringing with it a healthy order book including four liquefied natural gas carriers.

Meanwhile, the merger produced considerable economies of scale in iron and steel output and Rheinstahl's foundry capacities proved, initially at least, useful to Thyssen. Some 7,000 workers were transferred from Thyssen to the control of Rheinstahl (subsequently renamed Thyssen Industrie) while 8,500 steel workers left Rheinstahl for Thyssen. Streamlining meant redundancies but these were minimal and the union lodged few objections—with high cash losses, an awkward management structure and an inadequate technological base, it was apparent that Rheinstahl would not have survived long without Thyssen's assistance.

The successful "cannibalising" of newly acquired concerns has been a hallmark of Thyssen's diversification strategy. It would be wrong to assume, though, that all is well with Thyssen Industrie, the successor to Rheinstahl. Sales dropped last year in its plastics machinery section, while the shipyard of Thyssen Nordseewerke is on short-time working. These do not appear to be serious structural problems, however, and the weaving-together of three sections—Thyssen Energie, Thyssen Kloeene and Thyssen Engineering—has created a useful sub-division for marketing know-how and engineering capacity in the field of plant technology. The beneficial effects of this merger—within a merger—are expected to spill over to other domestic sections within Thyssen Industrie.

Diversification into capital goods and elsewhere has, however, bred a different and more fundamental species of problem. Board members, or rather ex-board members, of various Thyssen subsidiaries have recently complained that the group has become rudderless under Spethmann, that the parent company is too steel

orientated and insensitive to the special difficulties of, for example, the automobile accessory market (a speciality of the Thyssen Industrie division).

Senior Thyssen executives are anxious about these criticisms (though they are hurt that they should have found their way into print) and their position is understandable. Some degree of strain is a natural and often necessary element in certain human relationships: field officers resent the general staff. By the same token, subsidiaries (there are over 50 in the Thyssen group) complain about parent company control; it is too over-weening or too soft; too specifically geared to financial results or too intrusive.

Thyssen claims that it regards this as "creative tension." There is a sense of financial competition between the four main divisions—crude steel, special steels, trading and capital goods—and it is understandable that some divisions will feel that they are being subordinated to other interests.

Yet it is clear that some of the criticism is justified. The second prong of Thyssen's overall strategy—the purchase of overseas production facilities—has been littered with mistakes. In the early 1970s, for instance, Thyssen acquired a 49 per cent holding in a steel plant at Cosigua on the Guaymas coast, south west of Rio de Janeiro. The idea of the joint German-Brazilian project was to produce iron sponge through an oil-based direct reduction process. But technical problems and the sudden rise in the price of oil rapidly made the project something of a white elephant and Thyssen has only just managed to disentangle itself from the venture.



Dr. Dieter Spethmann, Thyssen's chief executive; an advocate of forceful persuasion.

The acquisition of Budd, the US automobile supplier, has also brought its share of difficulties. After profiting from the U.S. motor boom, it is now beginning to suffer from its dependence on the American motor market. There has been a drive over the past year to reduce this dependence with a slight shift of focus to rail passenger cars, castings and plastic products.

On the whole though, Thyssen is happy with its investment in Budd, and in the long-term it offers considerable expansion possibilities on the North American continent.

Management by persuasion means more than persuading some dissident senior managers to fall into line. For Spethmann—and for his powerful finance director, Dr. Klaus Kuhn, it means passing on the message to several different audiences at once.

It means convincing the workforce that wage claims have to be kept down below 7 per cent (IG Metall, the metalworkers union was demanding about 10 per cent but this spine settled for 6.8) if investment levels are to remain high. It means that shareholders have to be persuaded that the company cannot raise its modest 8 per cent dividend, despite higher profits and the revival in steel demand. And it means talking customers into accepting yet higher price rises for crude

and speciality steels partly because of hefty energy and labour costs.

Relations with the workforce have played an important part in Thyssen's thinking over the past five years, during which time capacity has been concentrated and streamlined. Production of crude steel has fallen from 13.8bn tonnes in 1972-73 to 11.5bn in 1977-78, perking up slightly last year to 11.9bn tonnes. Rolled steel production fell from 11.8bn tonnes in 1972-73 to 10bn tonnes last year, though this was partly influenced by the 1978-79 winter strike.

The drop in steel output then has not been a dramatic development—capacity is being only gradually adjusted to lower production and always with the negotiated approval of the workforce. Workers have transferred without great upheaval from the steel division in special steel and natural waste is often a favoured option. In the post-war years Thyssen inherited a fairly old workforce which made early retirement more feasible in the late 1960s and early 1970s. Meanwhile apprentices are playing an increasing role in the company, accounting for nearly 5.5 per cent of the total workforce against 4.5 per cent in the mid-1970s. Ultimately though, the total domestic workforce has grown throughout the current steel crisis from 92,000 in 1972-73 to 129,000 last year.

Regular consultation between management and unions has been a key component of the Thyssen approach throughout the crisis years, as it has in other German steel companies. Workers' representatives have an important say in the company supervisory board and, on the executive board, the personnel director co-ordinates closely with the unions.

When worker representatives were first admitted to Thyssen's supervisory board there was an initial fear that wage claims would become tougher and the company would be pushed below the profit line. This, as Thyssen managers now readily admit, has not been the case. The worker-directors accept that the supervisory board is not the forum for wage discussion.

The Government-sponsored Blendenkopf Commission into co-determination admitted that workers often pick up financial information from supervisory boards that prompts higher wage demands in good times and lower demands in bad. But

Thyssen does not view this as a threat.

The clear message seems to be that productivity has increased at Thyssen because and not in spite of the unions. Thyssen managers say that productivity in the crude steel division has now reached 1.9 tonnes of steel per man per shift, compared with one tonne 20 years ago. In special steels, in terms of turnover per man, productivity has trebled over the past 15 years.

The three pillars erected by Sohl remain—diversification, overseas expansion and rationalisation of steel capacity—but there are a number of largely uncontrollable factors that could affect the relative balance of these fundamentals. International crises and even national upheavals—such as the coup in Liberia—have all taken their toll on Thyssen and other German companies.

Subsidised competition

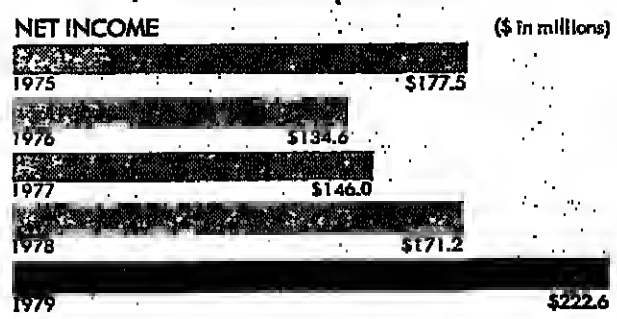
Protectionist trends in some industrialised countries, the U.S. Steel anti-dumping suit against European producers, the increasing importance of new steel producing countries, the subsidised competition from overseas (and increasingly from within Germany)—these are all important factors which will bite into steel margins and push Thyssen towards a heavy dependence on its trading subsidiary.

Meanwhile although wage increases have been kept within reasonable limits, production costs are soaring. To this end, Thyssen is trying to reduce its high energy consumption. The company has the advantage of being able to meet most of its electric power requirements from its own power plants which use coking and blast furnace gas, and steam generated in the steel production process. The use of continuous casting and energy recycling techniques have helped to keep energy consumption down. Some 10 per cent of crude steel over 10 per cent below the amount used at the beginning of the 1960s.

In short, Thyssen is reasonably equipped for the post-crisis years and its management appears to have the flexibility of approach needed to maintain its competitive edge in Germany and Europe. Thyssen, one Ruhr Steel analyst claimed recently, "does not repress or chew on problems—it tries to solve them. Sometimes it makes mistakes but somehow they are always less costly, less dramatic than similar blunders made by other companies."

Learn more about our bottom line.

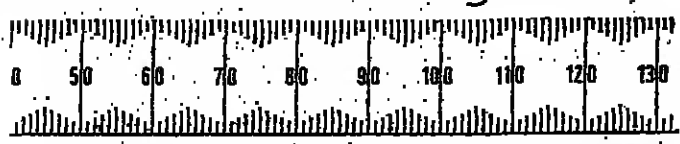
Send for our latest financial statements. Write to J.G. Stier, Investor Relations, W.R. Grace & Co., Grace Plaza, 1114 Avenue of the Americas, New York, N.Y. 10036, Dept.FTL



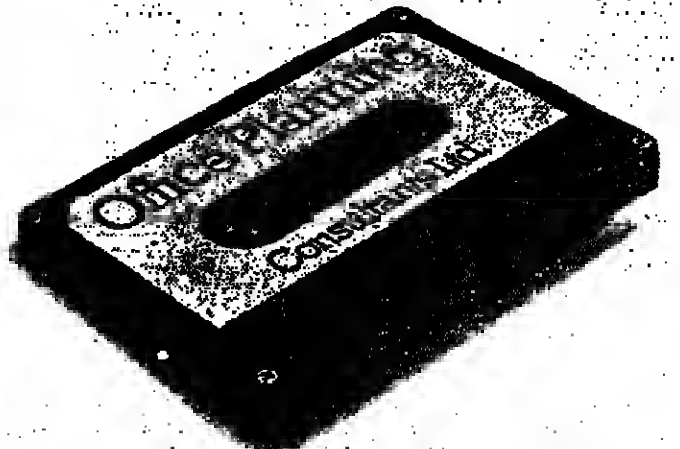
One step ahead of a changing world.

GRACE

Office Planning?



Before you start running round the office with a tape run this one in the boardroom



Office Planning has nearly 17 years' experience in improving the total working environment. So we have prepared a tape to give you the whole story. William Woodard narrates, with comments from some of our past clients.

Office Planning will handle everything: from advising on space required to designing telecommunications to suit your exact needs. Whatever the size of the project, our task is to create an office which not only reflects your image but is also effective.

So if you're thinking of moving or renovating your offices, don't make a move till you have your free cassette. Contact us now.

Office Planning Consultants Ltd

6 Mercer Street, London WC2H 9QG. Telephone: 01-836 9597

BUSINESS PROBLEMS

Restraint of trade

I have received my contract of employment letter from the agency by which I am employed. One clause stipulates that in the event of my wishing to leave my present employer, I may not work for a competitor in the same line of business, nor set up my own, within 50 miles of the present location. I hesitate to sign my acceptance of their letter and wonder, in any case, if this clause is enforceable. What, please, is your view?

We think that the restriction in question is probably too wide and hence void as being a covenant in restraint of trade and contrary to public policy. If

BY OUR LEGAL STAFF

Sole trader and VAT

I am fully occupied as an export shipping clerk and as I enjoy my work I propose operating in my spare time an export enterprise on a sole trader basis. Do I need to be registered as a trader and do I have a liability to account for VAT? Are there other steps you think I should take?

You will find general guidance in three free booklets, which should be obtainable from your local Customs and Excise VAT office, your local DHSS office (or post office, possibly) and your tax inspector's office, respectively. K & E Notice 700—VAT General Guide; NI41—National insurance guidance for the self-employed; IR28—Starting in business.

If the figures are likely to be significant, you may well find it worthwhile to consult an accountant, at least for an outline of the commencement rules of schedule D as they affect your expected profits.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

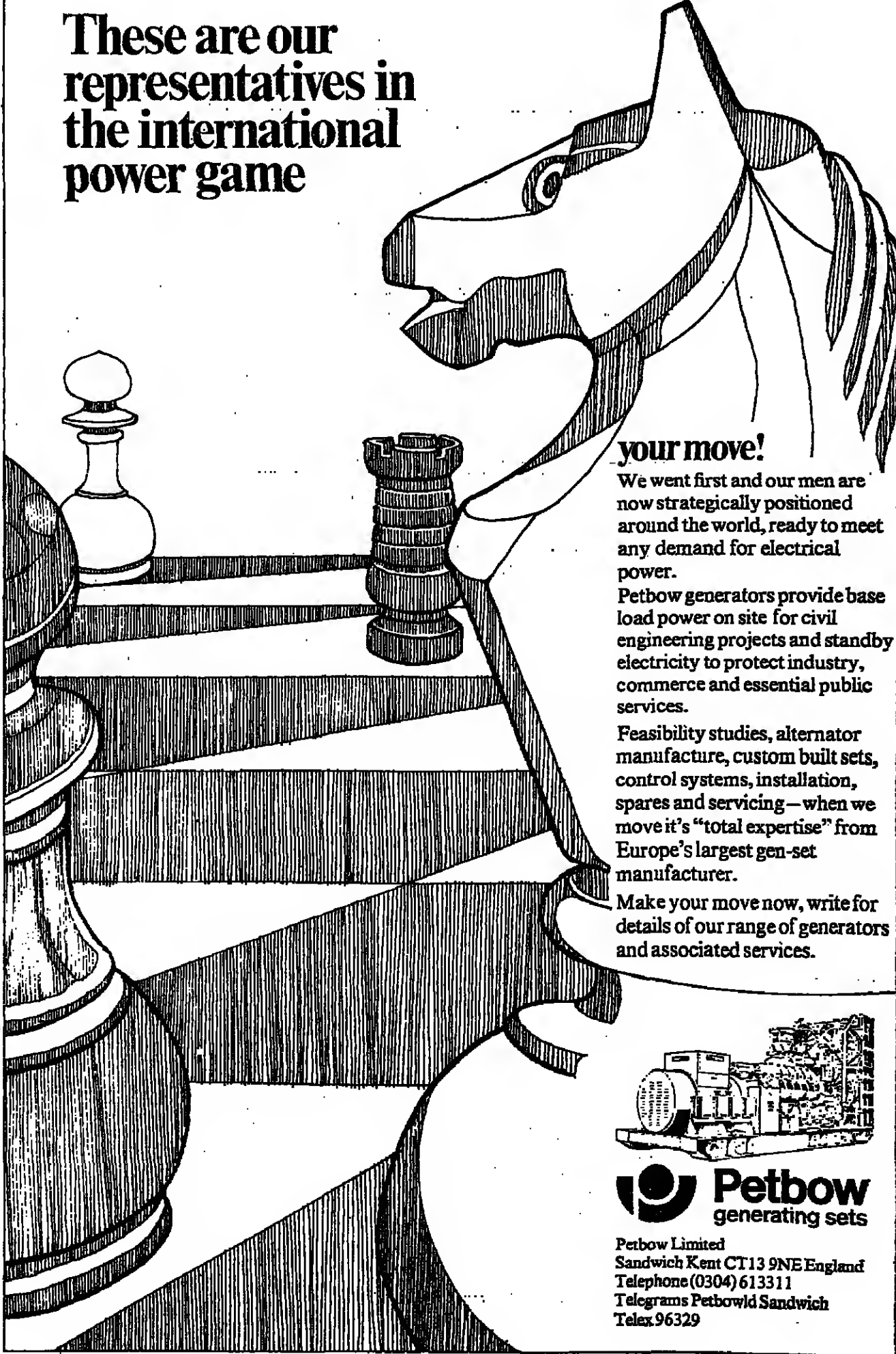
IML Air Courier Services

Deliver on time

Paris and worldwide daily

Tel: Heathrow (09327) 80341 Telex 8811248 (IMLAIR)

These are our representatives in the international power game



your move!

We went first and our men are now strategically positioned around the world, ready to meet any demand for electrical power.

Petbow generators provide base load power on site for civil engineering projects and standby electricity to protect industry, commerce and essential public services.

Feasibility studies, alternator manufacture, custom built sets, control systems, installation, spares and servicing—when we move it's "total expertise" from Europe's largest gen-set manufacturer.

Make your move now, write for details of our range of generators and associated services.



Petbow generating sets

Petbow Limited
Sandwich Kent CT13 9NE England
Telephone (0304) 613311
Telegrams Petbow Ltd Sandwich
Telex 96329

THE ARTS

Warehouse

Pericles

by MICHAEL COVENEY

When invited to review a play in the provinces, James Agate tartly informed his editor that he was not the critic for Asia Minor. Times change, and most of us set sail as often as the unlucky Pericles in the pursuit of duty, but only when confronted with this play can we truly be said to be critics of Asia Minor. The action moves from Pentapolis (somewhere in Greece) to Tyre, Ephesus, Tharsus and Mytilene.

Directors usually excuse this blitty travogue with shows of Graeco-Byzantine excess or else with some florid presentational idea such as placing the entire action in the brothel at Mytilene where Pericles' daughter, Marina, refuses to join the oldest profession before being reunited with her tempest-tossed father. This latter ruse was employed by the Prospect Theatre Company in 1973. Ron Daniels, directing for the BSC, goes for narrative simplicity and comes up trumps by allowing the poet Gower to manipulate our imaginations, and the story, within a charmed circle traced on a bare stage.

The result is, in many ways, an ideal studio production, patient with the tedious plotting of the early acts and inventive along pretty familiar minimalist lines. Griffith Jones's wise and authoritative poet is directly implicated towards the end by giving him the lines of Pericles' stalwart friends from Tyre. And the opening tale of incest in Antioch—where Pericles is deprived of a wife by deciphering the riddle that reveals the girl to have slept with King Antiochus—finds a reverberating parallel at the end. Here, Peter McNery tops

a marvellous performance by painfully yielding the beautiful Marina (Julie Peasgood) to the suit of Lysimachus. You feel that it is only because Marina's mother, Thaisa (Emma Williams), has been returned to him, that he lets her go. It is an inspirational gloss on the text and the best example of how Messrs Daniels and McNery bind the piece together.

Thaisa has been despatched for dead—"scarcely confined in the ooze"—on one of the many hair-raising voyages our hero has to endure. Although a storm at sea is done by hanging a turbulent washing line across the stage, Mr. Daniels is not so minimalist as to eschew sound effects or trick lighting. Similarly, the very boring scene where Pericles wins Thaisa in competition with six other Greek knights is transformed by cunning choreography and an ingenious little dance of the seven males waving their headscarves.

In Tharsus, the picture of a deprived and hungry community comes dangerously close to a parody of Peter Brook's *Les Jers*, an RSC poverty tableau with peasants moaning and writhing before rejuvenated with incense at the sight of a bowl of corn.

In the brothel there is an expansive comedy contribution by Heather Canning, and the major scene where Marina repels the Governor's advances is effectively handled (if that's the right word), on a white mattress. I feel that Thaisa should be brought to life more magically than by having her feet tickled, but even that scene is done with the sort of serene dignity typical of the whole.

Festival Hall

Sea and Sky

by DOMINIC GILL

Michael Finnissy's *Sea and Sky*, commissioned by the London Philharmonic Orchestra, and first performed by them under Elgar Howarth on Friday, was a remnant from what might have been—if the Arts Council had not withdrawn its support—the second of William Glock's 20th-century orchestral music series on the South Bank.

Like Finnissy's recent London Sinfonietta commission, *alongside*, his new orchestral essay, 18 minutes long, was an interesting, ambitious, and uncomfortable work. The scoring is for full symphony orchestra with celestas, harps and five percussionists—these last a group who play an important, omnipresent and sometimes overwhelming role. It is not clear to which of the "two large and generalised areas of Reality"—as Finnissy characterises the two nouns of his title—the percussionists belong, perhaps to both. But they dominate the action, and often obscure it: massive rumbles of drum-beat, gong-beat, hammer-beat do not so much accompany or punctuate the texture as sustain and define it.

Sticks and Drums could be another title, just as apt.

Between times, when the drums are silent, the instrumental writing is busy—and curiously bland. Much of the score is hugely overwritten: in the sense that not one half of the notes that Finnissy crowds into his densest pages could ever be heard in any kind of performance, but more important, that the actual effect of the blinding of so many layers and rhythms was "textually" banal—ineffectual complication rather than inspired complexity. Even the odd ingratiating moments one suspected could have been as much the result of chance as purpose; a graphically notated score would have been easier to play, and no less to the point. The final impression was of a struggle between theory and practice, mind and heart, sea and sky, unsuccessful: fully resolved, a decadent, but uninteresting piece of sound-colour composition by a composer who would passionately like to find, but who has not yet found, his own way to use the symphony orchestra as an instrument.

Jazz in Nottingham

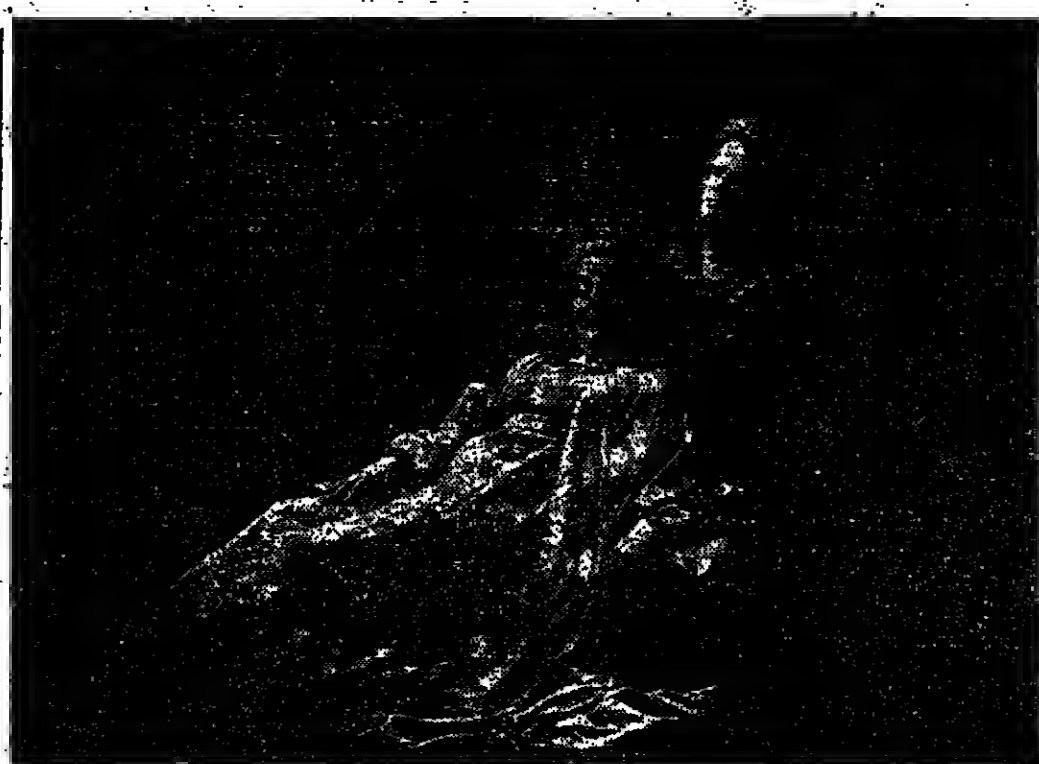
The Jazz Centre Society is continuing its series of events at the Black Boy Inn, Market Street, Nottingham, with an appearance by the Peter Jacobsen quartet on Wednesday May 21. Led by Jacobsen on piano the group comprises Chris Biscoe (alto-sax), Paul Carmichael (bass) and Tony Marsh (drums).

The JCS will present Ian Carr's Nuclens as art of the Nottingham Festival on Wednesday June 11.

'Middle-Age Spread' cast changes

Rodney Bewes and Francis Matthews will take over the starring roles of Colin and Reg from Richard Briers and Paul Eddington in the comedy *Middle-Age Spread* at the Lyric Theatre on Monday, June 16.

Also joining the cast will be June Watson as Elizabeth in place of Marjorie Lawrence and Lucy Fleming as Judy in place of Judy Loy. Tom Chadron and Sheila Grant stay as Robert and Isobel.



Berit Lindholm and Jon Vickers

Covent Garden

Tristan und Isolde

by MAX LOPPERT

For its latest revival the Royal Opera has engaged a most distinguished cast. It is not far off, indeed, from the best currently available; and it has been tactfully fitted into what some of us still think of (even though his name has long been absent from the hills) as the Peter Hall production. Now supervised by Elijah Moshinsky, with passages of real insight to make amends for the forgivable loss of original coherence (and with one of the original betes-neigres—neither musical nor dramatic sense—is improved by showing Brangäne to the audience during her warning from the tower), the staging presents each player to some individual advantage.

The Royal Opera has also engaged Zubin Mehta to conduct his first Wagner opera in London. There, some might say, is the rub: a performance inhibited from the greatness which should lie within its grasp by the inchoate Wagnerian conception of its musical director. This is too sternly put; one would not wish to discount the many great beauties emergent in Friday's performance. Some *Tristan* conductors (though not Reginald Goodall) force an audience to sacrifice the sheer poetry of the score in their search for the "long view". The strongest feature of Mehta's conducting was its immediate, instinctive response to the fantastic picturesqueness of the Wagnerian orchestra. That moment at the start of Act 2 when the offstage horns cease their cry and the chieftains begin their low fount-hurl—a moment when the heart of every *Tristan* addict turns over—was realised with wonderful vividness; in the very attack of "How on

strings there was in the third-act prelude a forerunner of desolating sun-wracked calm. Generally, the playing was of very high quality; how remarkably good (and also had) the Covent Garden orchestra can be!

If orchestral sound, and the gift of igniting each passing dramatic incident, were all that the opera predicated, this would be a red-letter *Tristan*. As it is, the failure to scale the acts according to a structural comprehension and cogmentation of each long paragraph leads increasingly to the sensation that while the surface of the score has been excited, the core remains undisturbed. Unable to lead patiently and firmly to the inevitable climax, Mehta must create climaxes of his own. The first-act prelude contained the first but not the last example of a sudden injudicious acceleration; to the hushiness of push and rush Brangäne's glowing phrases of fear in Act 1 ("Hör mich! Komme! Setz dich her!") were a particular casualty; in Marke's monologue what we noted was not the shape and direction of the music but the mournful colour of two snail-dripping basses. Gyroton Howell and the clarinet—in conjunction. The rewards of this performance are many, but not deep.

Jon Vickers and Berit Lindholm, returning to the title roles at Covent Garden, are partnered here for the first time. While looks must not be counted the most important feature of their success joint and individual, it would be foolish not to remark on the handsome images they imprint on the memory: a melodiously knightly intelligence inclined on every crack and cranny of the Vikings' mien; she a Burne-Jones princess tall and lissome, with an imperious yet vulnerable manner, and quick, searching eyes. The tenor does not merely relax the classical rules of Wagnerian singing, he moves far outside their realm, emitting great shouts of despair like boulders from a mighty sling, whispers of love and croons of anguish, and (at times) a variety of parlando inflections unaccountably approaching the Schoenbergian *Sprechgesang*. Step outside Vickers' third act for a single moment and you may find yourself blinking incredulously at quality of the acting, dangerously close to ham. The genius of the performance lies not least in its willingness to live dangerously.

It is good to see and hear Lindholm again. The voice is perhaps an acquired taste—the persistent whirring can infuse acid harshness as well as Nordic sensuality into the timbre—and its limits in empathising radiance and rapture are fixed, though (it seems to me) a good deal less so than in the past. But in her *Isolde* one senses a new passion, an enriched dramatic presence, a deepened emotional range—the surprising freshness and grace of the Liebestod on Friday showed only that the soprano had passed herself will in the role but that she belongs fully to it. Yvonne Minton's beautiful Brangäne (voiced just a little less sumptuously than at Bayreuth) is new to the house; Donald McIntyre's Karwenal is long familiar and still sturdy form, though there is too much stagey over-reaction in the first act and too much troubled head-nodding in the third. Howell's Marke deepens at each encounter. Despite all the earlier qualifications and the terrific price of the ticket this *Tristan* is eminently worth a visit.

Arts news in brief

Harveys of Bristol are associated with the 13th Lake District Festival, which takes place from May 23-June 14 by sponsoring three events. The company has also made a substantial contribution to the costs of the advance publicity leaflet and other promotional material.

The first of the events to be sponsored by Harveys, on Friday May 30, at The Barn House, Charlotte Mason College, Ambleside, *But There's a Fool*, an entertainment with discussion and readings from the works of Blake and de Quincey about their concepts of childhood with Melynn Bragg (chairman), Kevell Lindop and Robert Osborn.

Second Harveys-backed event is on Saturday, May 31, when the Lake District Festival Orchestra, performs at the Parish Church of Kendal with

violinist Erich Grunberg.

Third sponsored events will be on Sunday, June 8, at the Beehive, "Charlotte Masoo College, Ambleside, when Bernard Lloyd, a member of the Royal Shakespeare Company, will read a specially commissioned miscellany of poems about John Keats.

The Royal Academy will be the venue in September of a fine art and antiques fair which will not only continue the tradition of the Antique Dealers' Fair but will include the Burlington Fine Art Fair which has always specialised in painting. Entitled *The Burlington Fair* (Burlington Fine Art and Antique Dealers' Fair), it will be presented by arrangement with The Burlington Magazine. President of the Fair is Sir Hugh Casson, President of the Royal Academy of Arts.

The Fair will be open daily, including Sunday, from Tuesday, September 9 to Wednesday, September 17.

Nearly 30 smaller cultural organisations have received cash grants from the Greater London Council's arts committee during the past financial year.

Reviewing the allocation of \$572,000 made in arts grants over the past 12 months, Mr. Freddie Weyer, GLC arts committee chairman, said: "Even in these days of cuts in spending the amount we have distributed is an indication of the positive support we make to the arts. This amount is nearly double our allocation to small organisations made during the previous year. This is in addition to the special grants we make to the major performing arts organisations who are recognised as a special case."

Wigmore Hall

Hammond-Stroud

by PAUL DRIVER

Brahms's *Die Schöne Magelone*, which was presented by the baritone Derek Hammond-Stroud and Geoffrey Parsons last Friday, is almost but not quite a song-cycle. The 15 settings are of the 15 "romances" that Ludwig Tieck added to his "love story of the beautiful Magelone and Count Peter of Provence" to represent the songs in which Peter (and on one occasion Magelone) give vent to their fluctuating (mostly solitary) sentiments and passions. The richly assorted moods do make a definite progress, but the story itself, its wonderfully improbable epic vicissitudes, are not (could not be?) implied with sufficient clarity for the sequence to be properly self-contained. Accordingly, Derek Hammond-Stroud interspersed between the songs quite lengthy extracts from the original prose.

Perhaps greater antonymy and

cohesion would have resulted if Brahms's musical palette had been wider. The songs beg for a fleet diversity of treatment: they are heroic, dreamy, tender, impassioned, fanciful, suffering with the softness of youth, as the opening stanza splendidly indicates: "No-one has yet regretted/mounting his steed/in the bloom of youth/to fly through the world." But Brahms is only really able to render the most clear-cut emotions—ferocious, easy jogging nonchalance, four-square solemnity. Tieck's reflective poetry has been just drained away; the tone has become horribly middle-aged. Obviously the deftness and lightness of a Schumann were called for here. Or else the more mercurial writing of Brahms's late piano intermezzi? What Brahms does offer is impressively solid and elaborate construction of the individual songs. Many of them are drawn out to almost cantata length.

with appropriate division into sections and changes of tempo (one of the best is *Wie soll ich die Freude*, no 6). This aspect was well understood by Hammond-Stroud and Parsons: the latter's piano-playing seemed in fact to have seized utterly the spirit of Brahms, conveying both its strengths and limitations. He made the very best of a bad job. Hammond-Stroud though was disappointing. Expression and intonation had been sacrificed to mere richness of vocal timbre. Admittedly there isn't much scope for nuance; but the songs came across as even more uniform than they are. And intonation was quite startlingly inadequate. Mr. Hammond-Stroud might have been practising *Sprechstimme*: the intervals were regularly bent out of shape; hardly a note (especially in the upper register) was true. The evening was chiefly captivating for its re-telling of a marvellous old story.

Hammersmith, Odeon

Eric Clapton

Eric Clapton is one of the most perverse performers in rock. In a 17-year career, which reached an early peak with the "Clapton is God" graffiti of the late sixties and a later slump as he fought heroin addiction, Clapton has rarely been able to find the right balance between his guitar virtuosity and the pressures of fame. Now he seems to have settled for a safe mediocrity.

Of course Clapton can never be completely boring; he can still throw off blues solos, scarcely matched outside the American south and he has an instinctive feel for rock and roll. Yet his current hard and repetitive hardly stretches his talent and too often he is eager to step back into the shadows

and let other musicians like Albert Lee take the vocal and guitar solos. The Hammersmith concert on Friday was mildly enjoyable when you knew that if Clapton had cared it could have been very exciting. The main problem was the material. With so many good songs to choose from Clapton has settled for some mild country rock which enables him to be so laid back that it seems like last Christmas. Then he suddenly comes alive again with his versions of J. J. Cale's "After Midnight" and "Cocaine," the guitar sounding as fresh and assured as ever. He also managed an excellent encore, a real American rock classic, "Lawdy, Miss Claudie," a fine British "Breathless," and a final ailingalong, "Goodnight Irene."

The pressure has been on Eric Clapton from the start, when the guitar came to symbolise rock and Clapton was just about the best guitarist around. Neither his voice nor his writing was strong enough to carry the burden of popular hero, although some recent songs like "Wonderful Tonight" suggest that Clapton is happiest now in mainstream pop. A romantic figure in formal suit and black hair covering the seen-it-all face, Eric Clapton must find it hard to keep touring. The fact he does and that the results make for a happy audience, if not an ecstatic one, are greatly to his credit, and a reproach to his contemporary greats (McCartney apart) who prefer to survive on faded memories.

ANTONY THORNCROFT

Theatre Upstairs

Seduced

Henry Hackamore in Sam Shepard's new play is a dramatic portrait of Howard Hughes. He lies in a dentist's chair in the latest hotel room where he has gone for refuge from daylight and reality, constantly ready for another midnight fit. While hair and beard, untrimmed for years, turn Ian McDiarmid's face into a head by William Blake. Uncut finger nails have grown into curved talons, a couple of inches long. He wears only a pair of grubby white shorts. Raul, a long retained bodyguard, massages him but does not wash him, and restores his wasted vigour with periodical transfusions of blood plasma. Raul wears a revolver in a holster slung outside his flowered shirt.

Hackamore, feeling the approach of death, wants to live again. He sends for girls that he enjoyed in his livelier years and for the kit he wore as a flying man. The tension mounts through a fairly slim provision of events; the girls (Kate Fahy and Celia Imrie successfully encompassing their ungrateful requirement to look 15 years beyond their prime) do a modest striptease and tell their avoid one audience tales from their life until their audience relapses into imbecility and has them removed.

But all this is merely a long preparation for a final surprise, and little that takes place in the first 90 minutes of the play, however interesting, rates as more than character drawing for the protagonist. The nature of the play is to be unfair to me to say that it is unfair to me to say that it is a theatrical moment it seems to me to rank below the appearance of the first of the women, when the black



Celia Imrie and Ian McDiarmid

Hugh Routledge

curtain that has protected Hackamore from the piercing rays of reality outside unexpectedly rolls back to reveal Miss Fahy waiting upstairs.

It was anxious most of the time to know what was going to happen next — perhaps too anxious. I felt after the conclusion had revealed itself, for here the play slips into a different, a more conventional and less interesting pattern. Most of all I was fascinated by Ian McDiarmid's acting, so much entrusted to the play of expression on the face and in the voice (perhaps intractably

young), shifting from arrogance to suspicion to concupiscence to plain senile dementia.

As Raul, Larry Lamb is confined mostly to the dutiful ambivalence of a strong underling to a stronger superior, until his part in the critical final scene turns him into a type familiar from half-a-dozen television dramas a week; but what he has to do he does neatly.

The director is Les Waters, and the designer, whose achievement is less modest than it seems at first, is Peter Hartwell.

S. A. YOUNG

CRICKET BY TREVOR BAILEY

The gap between club and county

LAST WEEK, on an attractive Glasgow ground, Derbyshire, who certainly are not the most formidable of the first class counties, routed Scotland, newcomers to the Benson and Hedges Cup.

After the 10-wicket victory with more than 20 overs to spare, some Scottish officials were rather more disappointed than they need have been. Whether the Scottish selection committee had provided their manager, Brian Close, with the strongest squad available was really immaterial. The important point was that it gave Scottish players the opportunity to compete against stronger opposition, which can do nothing but good.

After all, it should be remembered that the strongest teams chosen from minor counties north and south of England have played 20 games in this competition and have yet to win a single one. The match essentially emphasised the vast gap dividing county from club cricket.

The club batsman receives a far higher percentage of loose deliveries, which means he can make runs without having to

score off good balls. To make matters more difficult for him in limited-over cricket, the bowling side does not even have to dismiss the opposition, as a succession of maidens is just as effective.

I still remember the puzzle-meat on the face of a very good club cricketer who had been drafted into the Essex team against Derbyshire on a green wicket. With the aid of a couple of uncharacteristic lives and charmed outside and inside edges, he managed to exist for 45 minutes, which was no mean feat.

On returning to the pavilion, he apologised for not scoring more runs. He could not understand why he had not received a half-volley, completely unaware that this was a delusion which Messrs. Jackson and Gladwin did not normally serve up more than once in a complete season, and never on a "green top" at Burton.

With Hendrick, the present Midlands' seam attack looked ordinary by Derby standards, so it was not surprising that the Scottish batsmen struggled even more against accurate spin to defensive fields. This

had also been the case in their previous match with Leicestershire. The reason is that club batsmen are seldom happy against good slow bowling, or genuine pace, because they seldom encounter either.

Although John Wright, the New Zealander, has developed into a most accomplished opener who would certainly command a place in the present England XI, stroked his way to an effortless 80, I was impressed by Moir, a very tall Scottish slow left-arm, but he would need to improve his fielding if he was to represent a first-class county.

By the end of this week, two clubs from each of the four zones will have moved in to the knock-out section of the Benson and Hedges Cup. D is the toughest group. Not only does it contain five counties, but four of them, Middlesex, Surrey, Kent and Somerset, possess the strength to carry off the title.

Of the other groups, the hardest is B, containing Northants, Worcestershire, a rejuvenated Warwickshire, under new skipper Bob Willis, and Yorkshire, while the

weakest, group C, includes the holders, Essex, who should be through, despite their rather surprising defeat by Gloucestershire.

In Group A, Lancashire ought to go into the quarter-finals, while this also provides Nottinghamshire with their best chance of securing their first major honour since the war.

There is no doubt that the best place to make runs in limited overs cricket is as an opening bat. This was underlined when in all but one of the eight Benson and Hedges Cup matches on Saturday, the highest individual score in an innings was recorded by a player going in first. They also provided four of the six centuries.

The two main advantages of opening is that the batsman always has a chance to go to the middle and also has time to settle down after he has arrived. When the need to accelerate arises, he is well set. If he is an accomplished batsman, he does not even then have to slog, simply to improvise, which explains why Amis, Turner and Boycott have all been so very successful in this form of game.

TENNIS BY JOHN BARRETT

Clay courts keep the action

DESPITE the blazing start to the summer season which has brought the grass courts to life—fast and true and on schedule for the first time in years—the main action for the next two weeks remains on clay.

At home, the Pernod circuit comes to a climax later this week with the Masters play-offs at Bournemouth.

With three wins already at Teddington West Worthing and Lee-on-Solent, John Paves of Dorset will try to stake his claim to the number two singles spot for the first Davis Cup tie against Romania in Bristol next month.

His chief rival, John Lloyd, who is still languishing in the cut-throat world of Grand Prix qualifying tournaments, will next week play in his first home tournament since the Benson and Hedges last November. He joins his brother David, Mark Cox, the new Davis Cup trainer, and the former Wimbledon doubles champions from South Africa, Bob Hewitt and Frew McMillan, in the Langs West of Scotland Championships in Glasgow.

Today in Rome the U.S. No. 4, Vitas Gerulaitis starts the

defence of his second Italian title, hotly challenged by most of the world's great clay court experts.

A notable absentee is the new U.S. No. 1, John McEnroe, who currently heads the Volvo Grand Prix points table ahead of Jimmy Connors who beat him in the final of the WCT Tournament of Champions in New York two weeks ago.

McEnroe prefers the less frenetic atmosphere of Munich in preparation for a major assault on next week's French championships, the first Grand Slam meeting of the year.

Meanwhile at the heart of the Federation Cup, the International Tennis Federation's World Team championship for women, begins today. It is in its 18th year and is richly sponsored for the first of three years by the Nippon Electric Company of Tokyo.

Not surprisingly, the Americans with eight wins (including the last four) and Australia with seven have dominated the competition since it was launched in London in 1963.

The competition has grown in stature year by year and once

again America and Australia are cast as likely finalists.

With the world's No. 1 and 2 women in their side—17-year-old Tracy Austin and Chris Evert-Lloyd—there can be little doubt that the U.S. will be strong favourites.

Britain's captain, Virginia Wade, is the most experienced of all Federation Cup players. She has competed in 45 ties and played 83 rubbers since she first came into the side in 1967, when the competition was last played in Berlin.

To the superstitious that fact augurs well, Britain reached the final that year but lost to the Americans.

To reach the same stage this time, Miss Wade, Sue Barker, who is not at her best just now, with two losses against the American wonder girl Andrea Jaeger, and Glynis Coles must overcome first Israel, which should not be beyond them, and then Argentina, who will prove much more of a handoff.

Significantly, their leader Ivanna Madruga, beat Miss Wade last week in the quarter-finals in Perugia and then lost her semi-final to Evert-Lloyd. British hopes will rest on Miss

Barker defeating Coudia Casablanca, and winning the doubles if necessary.

Of all the players this period of the year is a build-up to the French Open and then Wimbledon. It is significant that Miss Austin will return from Berlin to California to prepare on fast cement for a really serious attack on Wimbledon.

She has chosen to miss the French Open, as has Martina Navratilova, who will be awarded the World Champion Trophy at the International Tennis Federation dinner in Paris on June 2.

Both players feel that the mental and physical strain of competing in Paris on the slow clay with the inevitably long rallies would dull the edge of their Wimbledon challenge.

Mrs. Lloyd on the other hand needs the match play desperately and will be defending her title in Paris.

Beyond that lie two grass court tournaments in Britain—the Crossley Carpets Tournament in Chichester beginning June 9 and the BMW Championship at Eastbourne the following week.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY

Telegrams: Finam, London, FSA. Telex: 585437, 543397

Telephone: 01-248 3800

Monday May 19 1980

Moscow courts the West

THE WEST is now in possession of two apparently beguiling Soviet proposals for international negotiations aimed at getting detente back on the rails. On Wednesday of last week, Moscow's client regime in Kabul made a slight improvement on earlier offers of a formula to resolve the Afghanistani crisis that has plunged super-power relations to such a low ebb over the past five months. The following day, the Warsaw Pact nations launched a new "peace initiative" that included calls for a world peace conference, a European disarmament conference and East-West negotiations on long-range "theatre" nuclear weapons in Europe. Both offers have been greeted with scepticism by Western Governments, many of whom had been expecting just such a move from Moscow at around this time.

Nuclear missiles

The Warsaw Pact initiative is designed to serve several purposes. It is intended to demonstrate that the Pact is a peace loving alliance. NATO, an aggressive one—it came just one day after the NATO countries had agreed on reduced efforts to strengthen their defence in the wake of the Afghanistan invasion. It is meant to sow fresh doubts in the Allied countries about NATO's plans to deploy a new generation of "theatre" nuclear missiles in Western Europe, thus reducing Moscow's superiority in that sector by holding out the prospect that they may no longer be necessary. And it is part of the continuing Soviet campaign to split Western Europe from the U.S., and among itself, by playing on the "dove-hawk" divisions in West European societies.

The Afghan initiative has similar motives—and indeed, while the immediate American reaction was to treat it with deep suspicion, Europeans, and not just those on the left, were more inclined to see it as a possible basis for negotiation. More specifically, the timing of the proposal suggests that it had two main short-term purposes—to reassure wavering West European Olympic committees that it would be all right to go to Moscow, and to persuade the Islamic countries which met in Islamabad at the weekend to moderate their earlier condemnation of Soviet behaviour.

The offer as it stands is clearly inadequate. The suggestion that Soviet troops might ultimately be withdrawn

appears to be contingent on their presence being rendered unnecessary by the extinction of all opposition to the Soviet-backed regime. The negotiations proposed would involve the recognition of that regime. The notion of Iran as a party to the negotiations would be laughable if the issues involved were not so serious. There is no guarantee of the inviolability of the most important border that between Afghanistan and the Soviet Union. The Kremlin's aim seems to be first to establish respectability for the status quo and then to think about what to do next.

Arms control

The main significance of the Soviet move is that it shows that Moscow is feeling uncomfortable about its continued presence in Afghanistan. The Soviet leaders clearly underestimated both the extent of the outcry that would follow the invasion, not only in the West but in the Third World, and the military difficulties it would encounter on the ground. There is no bar in the West probing to see if, behind all the smokecreens, Moscow is seriously interested in a genuine solution. But until that is clear there can be no relaxation of the West's efforts to put the Russians in the dock internationally and shore up the threatened countries of the surrounding region. Moscow must not be allowed to think that it may have got away with it.

At the same time, it would not be inconsistent for the West to seek progress in the one major area in which there is an over-riding need for mutual understanding—that of arms control. The tension created by the Afghanistan invasion makes it even more important to prevent an unbridled arms race. Ideally, SALT 2 would be now be ratified and SALT 3 under way. Little, perhaps, can now be achieved until after the U.S. Presidential election. In the meantime, however, the West must make it clear it is still interested in further negotiations subject to two important provisos. Firstly, it must be made quite clear to the Soviet Union that the aim of such negotiations is balance, not codification of Soviet superiority. Secondly, Western Governments, and particularly the Europeans, must not be deluded by Eastern "peace initiatives" into lowering their guard before such balance has been achieved.

Ohira loses a round

THE DEFEAT of the Ohira Government on a motion of no confidence in the Japanese Diet last Friday probably shocked the Opposition parties as much as it did Mr. Ohira. The Liberal Democratic Party, of which Mr. Ohira is President, has a small overall majority in the Lower House of the Diet (Parliament) and would easily have avoided defeat if all its members had been present. The fact that about 70 were absent during the crucial vote explains why the Government fell.

But that itself requires explanation. Why did Mr. Ohira's enemies in the party choose to push their campaign against him to the point of bringing down the Government? One answer seems to be that the anti-Ohira group had not originally planned to boycott the Diet session and was only provoked into doing so by the premature summoning of the session while it was bargaining over the terms on which it would support the Government.

In-fighting

Another reason for what happened can be found in the nature of the LDP. Formed in 1955 through the merger of two earlier conservative groupings, the party has never been much more than a loose coalition of the personal followings of a handful of powerful individuals. Alliances between the various leadership groups have traditionally determined who should be Premier, but sectional in-fighting between party bosses has also been endemic.

In the recent past, tensions in the LDP have increased sharply, with the group led by Mr. Ohira finding itself "under siege" by the anti-mainstream faction supporting ex-Premier Takeo Fukuda and Takeo Miki. Mr. Miki and Mr. Fukuda dislike Mr. Ohira because of the way he came to power (by drawing on the financial support of another major faction leader, the disgraced former Prime Minister Kakuei Tanaka). They do not differ widely from him on major policy issues. But a series of corruption scandals, including one involving large-scale gambling debts by one of Mr. Ohira's political associates,

has given them a stick with which to beat the party leadership.

The immediate result of the Friday debacle will be disillusion of the Lower House and the calling of a General Election (timed for June 22, to coincide with a previously scheduled election for half the seats in the Upper House). The necessity of fighting an election less than a year after the last General Election, held in October 1979, will strain the resources of all six Japanese political parties. On the other hand, it appears just possible that the rival factions of the LDP may now close ranks and fight a more effective election campaign than last year.

Bargaining

If the party does not recover its unity and loses its overall majority in the Lower House, an extremely complex position will result. There will be bargaining between individual LDP factions and the small centre parties which stand just to the left of the ruling party. The centre parties could find themselves on the Government side of the House for the first time in 25 years, though only as members of what would probably prove to be an extremely shaky coalition.

What does not seem likely, however, is that the Liberal Democrats fare, is the emergence of an Opposition coalition headed by the Japan Socialist Party. The JSP lost seats at last year's election. It is probably even less anxious than its rivals to fight an election now, in spite of the fact that it sponsored the no-confidence motion against the Government.

Whether the LDP survives its self-inflicted wounds, Japan's ability to play an active role in the world and tackle its own economic problems will be seriously impaired in the next few weeks. Mr. Ohira will at best be a shadowy figure at the Venice Economic Summit, whose first session will coincide with polling day in Japan. At worst, the country could be in for a prolonged period of instability at a time when it badly needs strong Government.

The pressures on Pakistan to accommodate Moscow

BY DAVID HOUSEGO IN ISLAMABAD

THERE IS a widely held belief among Pakistan officials that the late Prime Minister, Mr. Zulfikar Ali Bhutto, when hard pressed by his opponents during his last months in power in 1977 made a hurried flight to Libya. There, through the good offices of Colonel Gaddafi, it is said he offered the Russians transit rights from Afghanistan through Baluchistan to a base on the Arabian Sea partly in the hope of gaining Russian support for his beleaguered regime. No documents exist to substantiate this offer of a warm water port. But circumstances make it likely that Mr. Bhutto's manoeuvrings at the time, certainly embraced a reconciliation with Afghanistan and the style of diplomacy was very much in character with the man.

President Zia-ul-Haq's regime is categorical that it would strike no such bargain with the Russians. A good reason for believing this is that it would earn the bitter hostility of the Chinese and the Moslem world to whom Pakistan looks as its staunchest allies in the wake of Russia's invasion of Afghanistan. But the invasion and what is seen here as the West's acquiescence in it has put enormous pressure on General Zia to reach some accommodation with the Russians.

They have repeatedly signalled—and did so most strongly last week through the new peace initiative put forward by the Afghan regime—that they want him to rein in the operations of the Afghan insurgents who among the 700,000 refugees this side of the border, find in Pakistan a valuable sanctuary.

They want him to talk directly to the Babrak Karmal regime in Kabul which would amount to giving it de facto recognition. To drive home that the message is serious, the Russians have been demonstrating their power. The number of violations of Pakistan's air space have been increasing steadily.

If the Pakistanis feel the need to lean closer to the Soviet Union it is largely because the belief in Islamabad is that the U.S. is unwilling to commit the resources to challenge the Soviet Union in South West Asia. "Our impression," according to one official, "is that the U.S. is wrapping up in this region. It is no longer prepared to fulfil its obligations as a super power. From that perception flows the regime's decision in March to reject the U.S. offer of \$400m in military and economic aid as being of a size that was provocative to Russia—and to India as well—while not providing the means to resist Soviet pressure."

The rejection—part of a history of bungled relations between two states which have continually failed to establish a base of mutual understanding—is regretted by many Pakistanis who believe the country's natural ties are with the

West. But it amounts to a conscious decision to keep Pakistan out of the western camp. A gain from this for which Pakistan is hoping is what one official calls "a softening of Soviet hostility" which has continued since Pakistan left the Soviet-led CENTO and the SEATO alliance that were originally designed to curb Soviet expansion.

It is also looking for more understanding from its other main adversary, India. Mrs. Gandhi initially feared a fresh arms build-up in Pakistan. But of late she has tried to reassure Pakistan, not least in conversations with President Zia in Sialkot and Belgrade, that it faces no military threat from the East and that there could be advantage to both sides in normalising relations.

Thus Pakistan is fumbling towards a position in which its security in effect rests on the goodwill of its neighbours, on the moral strength of neutrality and non-alignment, and on the support of the Moslem world now gathered in Islamabad. It has few resources to spare with which to enhance its own defence capability and there is little sign of the significant funds which once seemed promised from Moslem states like Saudi Arabia, China, whose support has been its ability to threaten India from the north in the event of an Indo-Pakistan conflict, can provide only limited aid in the present circumstances.

All this weakens Pakistan's ability to resist continuing Soviet pressure. In policy terms the belief that Pakistan cannot afford to confront the Russians is reflected in a shift of emphasis from giving priority to the withdrawal of Soviet troops from Afghanistan to recognising that in practice the Russians will not leave however strong the continuing denunciations of their occupation.

Thus on Friday Mr. Asghar Sadiq, Pakistan's Foreign Affairs Adviser, proposed that the Islamic conference set up a committee of foreign ministers to discuss the opportunities of a political solution in Afghanistan and left open the possibility that the committee might have contacts with the Babrak Karmal regime. Until now General Zia has resisted such contacts as potentially legitimising the Afghan regime and many Moslem states continue to hold that view.

To going this far to meet the Russians, General Zia hopes to discourage them from making a mistake for him by backing his political opponents or supporting secessionist movements in Baluchistan or Sind. In return he may be willing to impose a further restraining arm on the Afghan insurgents—a move that would be strongly resisted by the insurgents who have no wish to be sacrificed to the cause of improving Pakistan/Soviet relations and have the numbers and the arms to resist such a settlement with force.

Many Pakistanis see no option

but accommodation with the Soviet Union. But it is one of the ironies of the present situation that such an attempt at diplomatic tightrope walking, which has its roots in the Bhutto years, should be made under a military regime whose instincts, traditions and training are profoundly anti-Russian and anti-Indian. It may be that a civilian administration could not have got away with it without provoking resistance from the armed forces.

The drawback is that though

effectively displaced the two—General Faiz Ali Chisti and General Mohammad Iqbal—most likely to displace him.

He has been enormously helped by the emergence of Pakistan from its isolation that came with the Russian invasion and the stature that comes from moving among other heads of state. He has allowed the army to share all his enjoyment of power and the privileges that go with it.

But once that has been said, it still remains that he cannot afford to test the legitimacy of

capitalise on, demonstrating that his alternative appeal in Pakistan is to a socialist semi-Marxist ideology.

General Zia has cast his net among the more traditional power bases of the country—the village landowners, the Mullahs or local priests, the traders of the towns and the military. These have been the backbone of previous martial law regimes but General Zia has gone beyond them in his policy of Islamisation declaring that an Islamic state based on Islamic law had been the intention of

American and in foreign policy in favour of opening a dialogue with Babrak Karmal's regime. If the West can resume detente with the Russians, she asks, why cannot Pakistan with its neighbour Afghanistan?

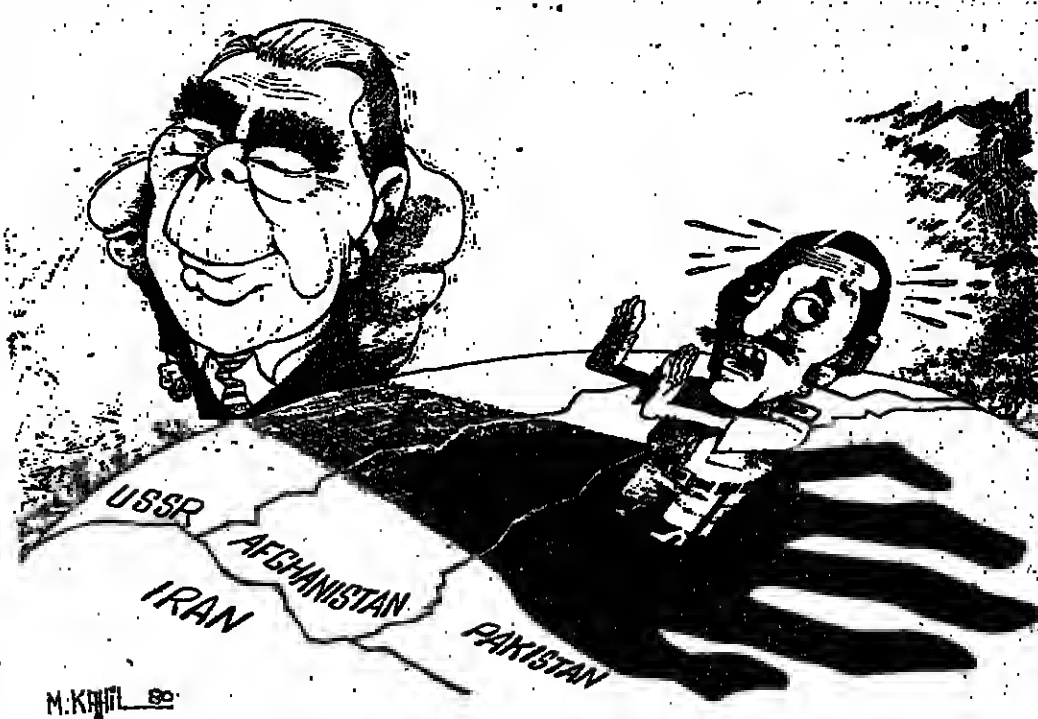
Whether she continues to lead the party or somebody else takes the reins, the Marxist alternative remains as potentially appealing in Pakistan as it does in Iran—where the Mujahedin offer an Islamic socialist alternative to Ayatollah Khomeini.

The alleviating factor for General Zia is that after the virtual collapse of the economy towards the end of Mr. Bhutto's years—as a result of natural calamities and disastrous policies—both agricultural and industrial output have since picked up. Gross Domestic Product has grown at an annual 3 per cent during the last three years and this year there is likely to be a record wheat and cotton crop. Some of this is due to the luck of good harvests, but the Administration has also been attempting to push the economy in the right direction—raising prices to stimulate production and removing some of the subsidies that have encouraged a misuse of resources. The economy has also benefited from a big inward flow in remittances of \$1.5bn a year—almost as much as from total exports—from Pakistani workers abroad.

Private investment in new industrial activities remains insignificant, though there are now signs that some new projects will go ahead. State sector investment shows a little increase in real terms because the Government has been trying to hold down the budget deficit to the present 3.4 per cent of GNP. Subsidies absorb a large proportion of state revenues and additional expenditures on defence and supporting the Afghan refugees have imposed a further burden.

The severe restraints on the economy created by the budget deficit have been exacerbated by a running balance of payments crisis. In autumn last year Pakistan's foreign exchange reserves fell so low that there seemed a real threat of its defaulting on international payments. Since then, a stronger than expected export performance and \$400m of balance of payment support from the Saudis have boosted reserves to about \$800m.

Pakistan is desperately seeking debt relief of about \$230m a year from western donor nations which would ease its payments position. But this is being opposed by the U.S. which does not feel Pakistan fulfils U.S. criteria for a debt rescheduling including acceptance of an IMF package. What ever merits this opposition might have in U.S. Treasury terms, it chimes oddly with the U.S.'s earlier offer of \$400m of aid and with the overall U.S. strategic concern to strengthen South West Asia against possible Russian expansion.



in Pakistan with the authority to determine policy, the direction it gives is distorted both because of the unpopularity of successive martial law regimes and because it is tainted with responsibility for the breakup of Pakistan in 1971.

Anybody travelling through Pakistan's four provinces cannot but be struck at how unhappy the country is, despairing of its failure to find any lasting solution to the problem of transferring power from military men to civilians of regional allegiances asserted—with increasing force which strains the unity and ideology of Pakistan, of the unceasing of the emotional and politically conscious people who miss the excitement of political life; and, ultimately, of doubts about what has been achieved during 32 years of independence.

A striking exception to this mood of despondency is General Zia himself, whose confidence and tooth-filled grin seem to expand with every month in power. He has continually defied the predictions of countless Pakistanis, diplomats and reporters—myself included—who had doubted that he could last. He has just completed a remarkable reshuffle of his fellow generals which has put him firmly on top of the pack and

his régime by a popular vote (as Ayatollah Khomeini has done in Iran's new Islamic republic) because in a free election the régime would undoubtedly be thrown out and with vindictiveness that could tear the country apart. He needs the controls of martial law to remain in power, though at times he can afford to relax them. But between the leadership and the street a wide gulf remains where discontent periodically bubbles to the surface and the risk of an explosion never seems far away.

General Zia has effectively cut the ground from under the established political leaders by involving them in so many compromises as to destroy their political credibility.

What he has not been able to do is to remove that base from which Mr. Bhutto first recruited his mass movement in 1968 which then overthrew President Ayub Khan. This lies in the urban and rural poor, the half educated and unemployed whose numbers continue to grow in a country of 81m. where the population continues to increase at a hefty 3 per cent a year and in which per capita income is only \$200. It is these grievances that Mr. Bhutto was able to articulate and then to

the founders of Pakistan. Initially General Zia's Islamic policies were only timidly challenged because in a Moslem country it is difficult to oppose Islam and the political parties which swept Bhutto out of power did so in the name of Islam. But they have been more forcefully contested of late as has been his assumption that Pakistan was founded as an Islamic state.

The latest challenger to throw the bat into the ring is Mr. Bhutto's daughter, Benazir, recently out of prison, who staked the opposition case before the potentially hostile audience of the Karachi Bar Association 10 days ago and got a warm reception. She claimed that the military-mullah oligarchy had distorted the ideology of Pakistan to benefit itself but had "betrayed the masses."

Citing Mohammad Ali Jinnah, Pakistan's first president and founder, she claimed he had intended a state that would be "secular, socialist and federal."

It is a definition that attempts to regain for the People's Party that she has in effect inherited from her father its revolutionary image, appealing to the same mass base as he once did. By implication, it is anti-

MEN AND MATTERS

Sailing back to Thatcherisation

Speculation is rife among Britons in New York about the intentions of Gordon Booth, who set off for London at the weekend after a three-day stint in the functions of Consul-General in New York and Director-General of Trade Development in the USA. Just what exalted position in industry awaits him—after some well-earned leave—Booth declines to say, admitting only that he has something lined up "in international business." Offers of this type have not been thin on the ground during his years in New York, he confides.

Booth's main claim to fame is that he helped teach New York to love Concorde—with a little help from the courts—they don't sing "we love Concorde" in the streets every day. Booth says modestly. But he is no doubt right in claiming that New York's position as a gateway to the nation has been reinforced by Britain's expensive white bird and its twice-daily cargo of "100 tycoons pouring off ready to do business."

Describing himself as "a volunteer to be Thatcherised," Booth is leaving the Civil Service two years ahead of the retiring age of 60. He decided to board the QE II home in preference to one of the Concorde he championed—feeling that three hours 10 minutes represented an indecently speedy Thatcherisation.

Boxing clever

I realise that making fun of the driving licence computer at Swansea is a trifle passé, possibly like Irish jokes—even non-U. But for the sake of a friend who carefully filled in his name and address in the little boxes at the top of his driving licence form, then, where this information was required again, wrote "AS ABOVE." You might imagine that he now has a licence in



"Don't worry, Smith. Sometimes poor arithmetic works out all right in the end."

the name of As Above. Not at all. Computers are not that stupid. They know no-one is called "A." The licence was returned to Mr. Asa Bove.

Biscuit crumbs

Not content with representing 95 per cent of British biscuits and packaged cake manufacturers, the Cake and Biscuit Alliance is clearly making a bid for an even more central role in world affairs.

A message on my desk informs me that members of the Cake and Biscuit Alliance have been given a clear indication that the Saudis have got over the upset caused by the television film "Death of a Princess." That indication came at the alliance's annual conference in Bournemouth, where one Sheikh Wahid bin Al-Binaz said: "We can assure you that the recent reporting image that brought Saudi Arabia to the surface of the world news in no way affects the decisions of the decision makers in Saudi Arabia. But sometimes some actions need to be taken even if they are not wanted in order to make a message clear and better read." Got that? It

was apparently approved "at the highest level" in Saudi Arabia.

Blowing the gaff?

The reputation of New York's labour unions, at least that of their leaders, does not improve.

Douglas LaChance, leader of the Newspaper Deliverers' Union, is the latest figure to be dragged unwillingly into the limelight, having just been convicted of no less than 124 counts of racketeering, bribery, tax evasion and other sundry felonies. Technically, he could qualify for a total of 2,480 years inside.

The LaChance case has, paradoxically, been something of a tonic to publishers in the New York area, who for years, have darkly complained that there is still one area of New York commerce where it is not uncommon to be caught between organised crime and unscrupulous labour organisers.

This view was given some credence at the LaChance hearings, the centrepiece of which was a taped conversation between the union boss and one Peter DiPalermo, described by the prosecution as "a convicted hoodlum." On the tape, LaChance appeared to be discussing payoffs received for a delivery deal on El Diario, a Spanish language newspaper.

Low voltage

The distinctly un-British good weather, and resultant lethargy, seem to be seeping into every corner of the national life. A reader, queuing up at Her Majesty's Stationery Office on Friday found that the man in front of him was from the Central Electricity Generating Board. It appears that a mere four days after the Government's decision to refer the next round of electricity price increases to Monopolies Commission, the CEGB was sending for 10 copies of the Competition Act, which made the move pos-

sible. No doubt the relevant paragraphs helped to cool down the weekend for the CEGB's 10 top men.

Linear stocks

Land, most people would agree is a sound investment: as Mark Twain once remarked, they stopped making it. But curiously, British Rail is facing some steep uphill gradients trying to dispose of its 1,485 remaining miles of redundant line.

"Most of it," says a BR spokesman, "is in country areas in relatively short strips. We'll never sell all of it—we're bound to be left with a hard core." Ownership of old railway line frequently involves maintaining fences, tunnels, bridges even viaducts (some of them listed). Moreover, the building of the railways in the first place disturbed whatever drainage existed. So owning a piece of railway line also means mending an intricate system of drains which needs to be cleaned out from time to time if the neighbouring landowners are to be kept happy.

Curiously, these minus points were all volunteered to me by British Rail itself. Caught in a fever of rail travel promotion which has incited the nation to hover round Persil packets like wasps round jam, BR appears to have little energy left for marketing these last relics of Beechingisation. They are changing hands at ludicrous prices. Bolton Council, for instance, has just bought 2½ miles of line for £1—Boltonians will be able to look forward to one of those now-familiar linear walks.

Silent witness

Not to be outdone by the Japanese, the Andorrans have, I am told, designed their own video recorder. Its main feature: "Records the programmes you don't like—plays them back while you're out."

Observer

£50,000
£500,000
£5,000,000

If you are depositing funds in the London money market ring the UDT dealing room on

01-626 5951

Our dealers will quote highly competitive interest rates on sums of £50,000 or more, whether your deposits are overnight or for periods up to three years. Current UDT depositors include a wide range of financial, industrial and commercial organisations.

Treasurer's Department



United Dominions Trust Ltd.
51 Eastcheap, London EC3A 3BU. Reg. CRO London 184739
A bank and financial and industrial services group.

It pays to deposit with UDT

FINANCIAL TIMES SURVEY

Monday May 19 1980

WORLD BANKING

PART ONE: PART TWO WILL APPEAR ON TUESDAY MAY 27

With so many problems revolving around their heads it is just as well that the world's banking leaders have over the years developed a number of sophisticated mechanisms for dealing with such difficulties. This year has already given warnings of severe tests ahead.

Shocks from all corners

By Michael Lafferty

THE PAST year has brought more than its fair share of shocks to the international banking system. The nightmare of a massive country default has frequently seemed more than a possibility as the Iranian crisis has gone from bad to worse in the wake of the seizure of the U.S. hostages, and President Carter's Iranian assets freeze in the U.S. The freeze has had an impact far beyond the U.S., and not least in London, where some \$3bn of frozen funds is deposited with U.S. bank branches. While all this has been developing, the Russian invasion of Afghanistan added further uncertainty, and banks were forced to reconsider their exposure to Comecon countries.

To cap it all, rumours of impending bank collapses have been around for several months. These have been fuelled by doubts about the extent of banks' losses on bond portfolios in the wake of a major collapse

in prices, and by the possibility that some banks may have been caught out by the large fluctuations in currency parities and the commodity prices. A touch of reality was added last month when the First Pennsylvania Bank had to be rescued and the Bunker Hunt came unstuck in the silver market.

In his own small way the recent crisis of confidence in the Argentinean banking system, during which depositors queued up last month for hours outside bank branches to withdraw their deposits has been part of the overall picture. It has served to demonstrate what a fragile creature confidence can be, and how important basic central bank supervision is. The fact that a number of U.S. and European banks were caught out with loans to Banco de Intercomercio Regional (BIR) despite long-standing rumours in Argentina about its standing seems to confirm how little many banks still know about each other, and more importantly, about how to gather and interpret the information required to evaluate risks.

The Iranian affair has often been highly confusing. In the immediate aftermath of the U.S. freeze it was not clear whether Iran had defaulted on certain loan obligations, or had simply been prevented from paying up by the U.S. action. Certainly a number of bankers in London have been critical of what they regard as precipitate action by Chase Manhattan to declare Iran's \$500m syndicated loan in default.

Then came the legal actions. First, Iran initiated action in the British courts to have funds deposited with U.S. branches in London unfrozen. Then

Chemical Bank scared the wits out of British banks by seeking an injunction which effectively would have prevented the movement of any Iranian funds within the British banking system. The injunction was never used in this way, but British banks remain worried that some U.S. bank whose loans to Iran are not covered by frozen deposits may yet seek to improve its position through action in the British courts, should Britain ever implement its own Iranian assets freeze.

The prospect of this happening has long worried the Iranians. They first sought to take action just before Christmas last year, by asking that term deposits with the London clearing banks should be repaid immediately. After hurried discussions with the Bank of England the clearers united on a policy that contract should be honoured on all sides. The deposits were not unwound, and that particular crisis passed. Everything seemed to be on the mend until April, when it became clear that the U.S. would be asking EEC countries to take supportive action in another effort to bring about the release of the hostages.

The Iranian banking authorities saw this coming and desperately sought ways of shifting \$4bn of unfrozen deposits out of the EEC area. But they were soon to realise that little could be done. Apart from the fact that banks were reluctant to say the least, to unscramble term deposit arrangements it soon became apparent that there were few sizeable banks outside the U.S. and EEC capable or willing to take on substantial new Iranian deposits. This, in

CONTENTS	
OPEC Surpluses	II
Bank for International Settlements	II
European Monetary System	III
International Monetary Fund	III
International Reserves	IV
Gold	IV
Country Risks	V
Syndicated Credits	V
Eurobond Markets	VI
Sovereign Borrowers	VI
Investment Banking	VII
Shipping Finance	VIII
Project Finance	VIII
International Banks	IX
Volkswagen	IX
Imperial Chemical Industries	X
Philip Morris	X
United States	XI
United Kingdom	XI
West Germany	XII
Finland	XII
Sweden	XIII
Denmark	XIII
France	XIV
Italy	XIV
Switzerland	XV
The Netherlands	XV
Norway	XVI
Greece	XVI
Belgium/Luxembourg	XVII
Ireland	XVII
Austria	XVIII
Yugoslavia	XVIII
Spain	XIX
Portugal	XIX
Israel	XX
Turkey	XX

turn, led to rumours, now largely discounted, that Iran had placed substantial sums on deposit with Eastern European banks. What is clear is that it has been using the Libyan and Algerian central banks as a conduit to place further funds from its oil exports in the Euro-market.

Despite all that has happened in Iran, many Western bankers still retain considerable confidence that everything will eventually come right. They point to the country's oil wealth and basic soundness, and probably some conclude that it is not necessary to write off any

tingly, there now seems to be a tendency to look at the riskiness of individual Comecon borrowers.

In this context, the highly exposed position of Poland, which has a debt service requirement this year alone of \$8bn—amounting to 70 per cent of the country's hard currency income—has come in for particular scrutiny. Adding to banks' difficulties is the very low quality of the information provided by the Polish Government. It is probably true to say that no company seeking a loan would dream of going to its bankers with such poor accounts.

While Iran and Afghanistan have rendered shocks to the system, the commercial and central banks of the world have been worrying about the massive recycling job which remains to be undertaken after the last round of OPEC oil price rises. This year responsibility for doing the job rests entirely on the banks. Despite the massive dimensions of the OPEC surplus—estimated at \$115bn on current account, against \$60bn last year—there seems to be growing agreement that the commercial banks can manage this year. But many leading bankers doubt whether the same can be true in the coming two years. Quite simply, banks need to maintain some limit on the ratio of deposits or assets to their capital, and in many cases they are required to do so. They are also affected by liquidity requirements.

So much discussion now centres on whether ways can be found to channel OPEC funds directly to country borrowers. One unlikely possi-

bility suggested by the OECD would be bond issues by developing countries. Like good investors, the oil-rich nations would prefer to rely on Western banks they regard as sound risks, rather than go direct to country borrowers. The chances are that they will have to compromise.

There have been many calls for the International Monetary Fund to take on a large role, and assist in the recycling process. To do this it will need to increase both its funding and lending. A 50 per cent increase in quotas seems to be on the way. After the recent IMF interim committee meeting it emerged that the Fund is now actively seeking new resources as a means of tapping the oil wealth of Opec.

Commercial banks now find themselves subjected to almost opposite pressure in the Euro-markets. On the one hand they hear the view—and often express it themselves—that if they are to do all they can for recycling they must be free of all controls. In practice, this seems to mean that banks should be allowed to undertake vast risks in relation to their own resources. On the other hand, the BIS statement of April emphasised the risks inherent in international banking. It said the BIS would step up its own monitoring of the Euro-markets, and it drew attention to the need for national authorities to supervise their own banks' international business more closely.

As more attention has focussed on international bank supervision, the central banks of the world have come to recognise the extraordinary dearth of information which

exists in the international banking business. So they have launched a campaign for consolidated accounts—surely the most basic of accounting documents. They have also encouraged the International Accounting Standards Committee, the London-based body which issues recommendations on international accounting standards, to develop a discussion paper on bank accounts. Before this could be issued some central banks got cold feet. They were up against the fact that accounts which contained secret reserves—and most bank accounts outside the U.S. have these—were misleading, h'te document was finally "published" a few months ago, but little has been heard of it. The number of central banks which have distributed it is not known.

It is a curious anomaly that institutions which depend so much on useful financial affairs should themselves publish much that has at best limited use. The issue came into focus recently when banks from all over the world banded the U.S. Fed with objections to its proposals for the disclosure of basic accounting information by foreign bank holding companies. The principal point made by the numerous objectors was that the Fed had no business regulating banks which were already adequately regulated by national supervisory authorities. Just how well equipped some of these national supervisory agencies are to do their job properly is not clear. Judging from some of the submissions to the Fed, they do not have much accounting information to go on.

The bank for worldwide business

Banque Nationale de Paris Limited provides full facilities for large and medium sized companies whose business is international.

BNP Ltd has over a hundred years' experience in the City of London readily available to its clients in the UK and overseas. Services include corporate finance, sterling and currency facilities, foreign exchange, export and commodity finance, bond facilities and leasing of capital equipment.

As a member of one of the world's largest banking groups BNP Ltd belongs to a network established in the international trading centres of seventy-five countries. Wherever you are in business, BNP is able to provide advice and finance.



Banque Nationale de Paris Limited

8-13 King William Street, London EC4P 4HS, Telephone: 01-626 5678, Telex: 883412 BNP LNB

Also in Knightsbridge, Birmingham, Leeds and Edinburgh

BNP Group Head Office: 16 Boulevard des Italiens, Paris 75009

WORLD BANKING II

The Economic Background

The task of recycling

OPEC SURPLUSES

PETER MONTAGNON

RESPONSIBILITY for recycling OPEC oil surpluses this year is back fairly and squarely in the hands of the banks.

The world's leading finance ministers and central bank governors, meeting in Hamburg in the IMF Interim Committee were clearly agreed that recycling is the most pressing problem for the international monetary system. But there were no signs of any speedy initiative on the part of the Fund to alleviate the strain.

The IMF is not, at the moment, short of lending resources. It was a net borrower from member countries last year, and still has some \$25bn available for lending.

The problem, as far as its neediest members are concerned, is that they consider the conditions on which these funds are lent too onerous. As long as possible these countries prefer to satisfy their needs through the banking system.

This is scant comfort for the banks themselves, which are increasingly prone to doubt their own ability to manage the recycling process on the required scale. They feel the task is being made all the more difficult by growing calls for better control of the Euro-market, which can only lead to more restrictive lending practices.

The dimensions of the problem remain enormous. The IMF estimates that the OPEC countries will have a payments surplus on current account this year of some \$115bn compared with about \$60bn last year, and a near balance in 1977.

Against this the industrialised countries are likely to show a deficit of \$48bn this year and the developing countries one of \$68bn.

Such a worsening of the world's payments imbalance coincides with a concerted drive by central banks for increased "transparency" in international credit markets, coupled with improved supervisory techniques to keep the banking system healthy. A statement in April from the Bank for International Settlements (BIS) was a landmark in this respect.

The BIS spoke of the increasing risks inherent in international banking. It said it would step up its own monitoring of the euro-market and it drew attention to the need for national authorities to supervise their own banks' international business more closely.

This raises the question of bank liquidity and capital adequacy. In its latest review of the syndicated lending market, for example, Amex Bank notes that there is a distinct prospect of a deterioration in the capital ratios of U.S. banks.

The bank says capital ratios would deteriorate if domestic deposits rise as the U.S. recession encourages clients to keep more funds in liquid form. At the same time the growing OPEC surplus will raise the level of deposits in the

international banking system with the same effect on ratios. Capital adequacy could deteriorate further if loan losses arise, it adds.

Amex Bank also suggests that the ratio of international loans to total lending of U.S. banks has now in some cases gone well above 50 per cent. Given the rising awareness of the dangers of risk concentration and the low profitability of international business there is an increasing desire to slow down this growing internationalisation of loan portfolios, it says.

Restraint also looms for banks in other parts of the world. It is thus easy to understand why banks are sceptical of their ability to shoulder again the burden of recycling. For many the answer to this question depends on how deep the ideas for control set out in the BIS communiqué will actually bite.

Margins

Curiously enough all this is happening at a time when the margins above London inter-bank rates are still very narrow. International lending business, a top-rated international borrower such as Belgium can still command a margin of 1 per cent rising late to 1 1/2 per cent for a seven-year loan, while Brazil's latest borrowing contains a 10-year element at such a split margin of 1 and later 1 1/2 per cent.

One reason is that borrowers, confused by high interest rates and the volatility of the syndicated credit market after the U.S. freeze of Iranian assets and the Soviet invasion of Afghanistan, have been holding back from the market.

But there are some fundamental considerations keeping spreads down. One is the liquidity in the market as banks take in a growing volume of deposits from OPEC countries. Another is that many develop-

ing countries managed last year to increase their reserves by borrowing to cover future requirements.

This means that they are better able to cope with financing their payments deficits this year without resorting to large-scale new borrowing. That has taken some of the urgency out of the recycling problem. It means that the IMF is probably right when it suggests that the banks can cope this year, that does not mean, however, that the same is true for 1981 and 1982.

Next year for example the IMF expects the current account surplus of OPEC countries to fall to \$97bn and the deficit of industrialised countries to drop sharply to \$17bn. But the deficit of the developing countries, which causes the most concern, will rise to about \$75bn.

This will inevitably place a strain on the banks even if they have managed to bear the brunt of recycling this year.

From their point of view one of the most suitable solutions would be to seek to assist the recycling process through business by-passes balance sheets. Thus the OECD has suggested that scope remains for bond issues by developing countries.

In view of the collapse of international bond markets in the first three months of this year the argument hardly seems convincing. But it is worth noting that a number of developing countries, including Brazil and Mexico, did float bond issues at times when the market were more favourable.

An extension of this approach would be for banks to arrange private placements for borrower countries to be sold directly to OPEC investors. This was done recently by Denmark which raised DM 50m through Westdeutsche Landesbank. The loan was placed exclusively with a single OPEC address.

Such a process need not even involve a bank. The West German Government has already this year raised several billion DM-marks through the sale of promissory notes to Saudi Arabia, a move which was followed by the sale to the same country of Y50bn in national bonds by the Bank of Japan.

Competition enhances performance.

What has the BfG achieved during the past decade? Since 1969 our total assets have increased fourfold. It is gratifying to know that not only we have derived benefits from this growth, for we who attach importance to furthering the consumers' interests, would not be able to influence competition as a small bank.

The Bundesbank's restrictive policy made 1979 a difficult year for German banks. Yet we managed to increase our total assets last year, too. This shows that, obviously, what we have to offer is attractive.

What do the eighties have in store for us?

Seldom before have forecasts differed so widely and has the uncertainty surrounding the world economy been so great.

The next few years will be a challenge, yet the opportunities must not be overlooked.

We are sure that also in future more and more customers will appreciate our favourable terms, and we are confident that we shall continue to prove a reliable partner to small and medium-sized businesses as well as expand our international activities.

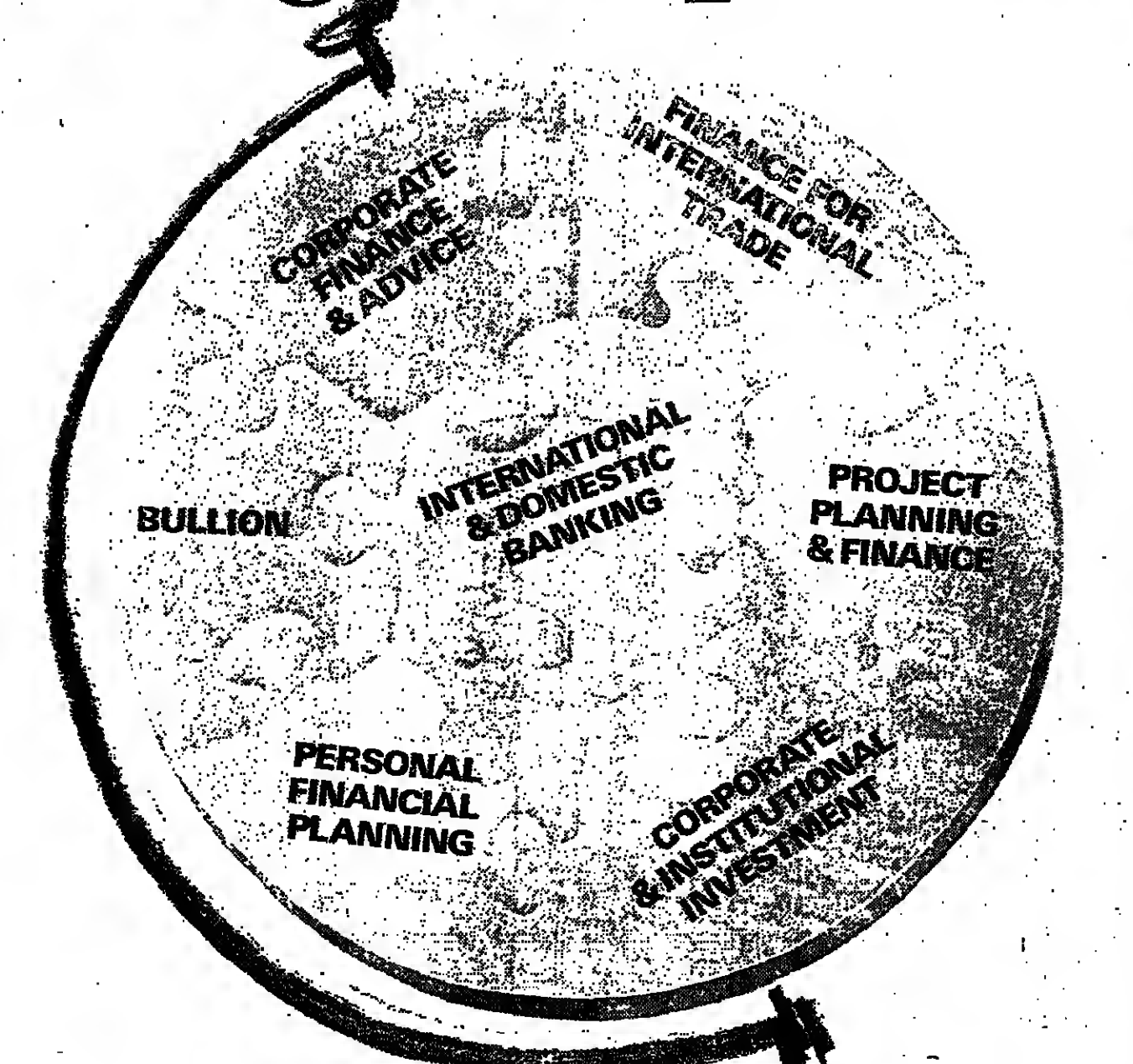
Our motto: „The more you know about banks, the better for us“ commits us to a high standard. We firmly believe that we can live up to it.

Key Balance Sheet Figures*		(in billion DM)	1978	1979
Total Assets			49.35	54.57
Total Customers' Deposits			21.04	24.05
Loans to Customers Outstanding			25.77	31.04
Capital and Reserves			1.51	1.45

* Consolidated Balance Sheet Figures/BfG Group
BfG: Bank für Gemeinwirtschaft, Theaterplatz 2
6000 Frankfurt am Main.
BfG: London, 83 Cannon Street, Bucklersbury House.
London EC4N 8HE.

BfG: Bank für Gemeinwirtschaft

The global picture



at Kleinwort Benson

Kleinwort, Benson Limited

Merchant Bankers

Head Office: 20 Fenchurch Street, London EC3P 3DB. Telephone: 01-623 8000 Telex: 888531

Represented in Birmingham and Edinburgh.

And in Bahrain • Bremen • Brussels • Buenos Aires • Chicago • Geneva • Gothenburg • Guernsey • Hamburg • Hong Kong
Isle of Man • Jakarta • Jersey • Kuala Lumpur • Madrid • Mexico City • New York • Paris • Rio de Janeiro • Singapore • Sydney • Tokyo.

THERE ARE several reasons why 1980 will go down in the annals as a memorable year for the Bank for International Settlements (BIS), the secretory-shrouded central bankers' bank in Basle that serves as the world's monetary watchdog.

The most public sign will be the festivities next month to commemorate the 50th anniversary of the bank's foundation—a half-century during which the BIS has become a unique forum for international economic co-operation. Basle will not exactly be set alight. But central bankers from all around the world will be celebrating the occasion with a fair degree of panache.

Second, this year—or possibly early 1981—will see the retirement of Mr. René Larre, the 65-year-old former French Treasury official who has served for nine years as general manager in charge of the bank's day-to-day running at its sumptuous headquarters near the Basle railway station. His departure may not make much difference to the public face of the bank. But the retirement of M. Larre—a man who gave stalwart service to Gen. de Gaulle and who made no secret of his distaste for the break-up of the cold-war fixed exchange rate system at the beginning of the 1970s—certainly marks the end of an era in which the BIS has adapted itself to generalised floating of exchange rates and the phasing out of the formal monetary role of gold.

Promotions
The third and most important change affecting the BIS also concerns a switch of personalities—but goes far beyond the confines of the bank's Basle HQ. It involves a far-reaching series of retirements and promotions among the governors of the world's top central banks who sit on the main board of the BIS and who travel regularly to Basle for the central bankers' monthly discussions. The composition of the group has undergone a comprehensive change over the last nine months or so; there are new men at the helm of six of the 11 central banks in the industrialised world's power club, the Group of Ten and Switzerland.

A number of familiar faces have said their goodbyes, and new ones—many of them a lot younger—have arisen to take their place. Several of the governors who have just retired, including Dr. Otmar Emminger of the West German Bundesbank, M. Bernard Clappier of the Banque de France and Sig. Paolo Baffi of the Banca d'Italia, have given sterling service to international monetary affairs over a period stretching back to World War II. But there is no mistaking that their replacements, for the most part, also embrace a remarkably internationalist outlook—and many of them also are men of greater pragmatism and diplomacy whose talents are badly needed in helping to steer the world economy through a particularly trying period.

BANK FOR INTERNATIONAL SETTLEMENTS

DAVID MARSH

Of the new intake, the most significant replacement has been that of Mr. Paul Volcker for Mr. William Miller as chairman of the Washington Federal Reserve Board. Mr. Volcker, who has a long track record in private banking, at the U.S. Treasury and, in the past few years, as president of the New York Federal Reserve, has long been a familiar and confidence-inspiring figure for the rest of the central banking circuit.

The move of Mr. Miller to become Treasury Secretary in President Carter's Cabinet shake-up last July was not regretted. Several central bankers had complained that Mr. Miller introduced a rather jarring air of brusqueness into the cosy confines of the Basle "gentlemen's club."

Another important new face at the governors' monthly consultations has been that of Herr Karl Otto Joebli, the new head of the Bundesbank, who took over from Dr. Emminger at the end of last year. Like Mr. Volcker, he is a lot younger than most of his central banking colleagues (the two men are aged 52 and 50 respectively). They also share a common experience of the wider world of politics; Mr. Volcker and Herr Joebli were opposite No. 2s at the American and German Finance Ministers' meetings during the currency crisis days of early 1973, and became well acquainted during this period.

Herr Pöhl's first few months at the helm of the Bundesbank, in which it has twice raised discount rate and taken a range of other unpopular credit tightening decisions, appear to confirm that he will be no less steadfast than Dr. Emminger in carrying out the central bank's traditional hard money policies. But he combines the commitment to fighting inflation with a sense of humour and an air of relaxed pragmatism which marks him out from the sometimes peppy Dr. Emminger.

The third major new arrival in the governor's group is Mr. Haruo Makawa, the new governor of the Bank of Japan, who took over this year from Mr. Teichiro Morinaga. Mr. Makawa became well known to many of his fellow governors in his former capacity as deputy governor, and enjoys a particularly close friendship with Dr. Fritz Leutwiler, the president of the Swiss National Bank.

His outlook is much more internationalist than that of Mr. Morinaga (unlike his predecessor, he speaks fluent English).

INDOSUEZ

Banque de l'Indochine et de Suez

Head Office: 96, boulevard Haussmann - 75008 Paris
Tel. 286.20.20
Central Office: 44, rue de Courcelles - 75008 Paris
Tel. 766.52.12
Telex: INSU X 650409 F

London Branch:
62-64, Bishopsgate London EC2N 4AR
Tel. (1) 5884941 - 6282251
Telex: 886483 INDOSU G - Forex: 887516 INDOFX G

BRANCHES, SUBSIDIARIES
REPRESENTATIVE OFFICES
AND AFFILIATED BANKS

EUROPE	ASIA
France	Hong Kong
Belgium	Indonesia
Germany	Japan
Gibraltar	Malaysia
Great Britain	Pakistan
Italy	Philippines
Luxembourg	Singapore
Netherlands	South Korea
Spain	Sri Lanka
Switzerland	Thailand

NORTH AMERICA & SOUTH AMERICA	NEAR EAST & MIDDLE EAST
United States	Bahrain
Brazil	Lebanon
Venezuela	Saudi Arabia
French Guyana	Turkey
Guadeloupe	United Arab Emirates
Martinique	Yemen

AFRICA	OCEANIA
Djibouti	Australia
Morocco	French Polynesia
Nigeria	New Caledonia
South Africa	New Hebrides
Reunion	Wallis & Futuna
Seychelles	

Bright spot in Community scene

THE EUROPEAN Monetary system (EMS) has so far outlasted most of the sceptics. It has worked rather well in the face of a strong resurgence of inflation and has largely fulfilled the initial goal of the creation of a zone of greater currency stability. Indeed EMS has been one of the few bright spots in an otherwise gloomy EEC political and economic scene.

Yet this success has been modest by comparison with the radical plans proposed at the Bremen and Brussels heads of government summits in 1978. Major questions about the future development of EMS, especially the establishment of a fully-fledged European Monetary Fund, remain unresolved.

The system as it eventually started in mid-March last year involved the linkage within specified margins of each other of all participating currencies (those of all EEC countries apart from the UK). The movements have been restricted to 2½ per cent with the exception of the Italian lira, which has been allowed a 6 per cent margin.

Subsequently there have been only two realignments — the first, and major, was in late September when the German Deutsche-Mark was revalued by 2 per cent against the other participants, and the Danish krone was devalued by 3 per cent. The second, and minor change was in early December when the krone was again devalued, this time by 5 per cent.

Collapse

This was the smallest movement for eight years according to a European Commission report produced last March on the first anniversary of EMS. It noted that "intracommunity exchange rates were more stable than in any year since 1972" — that was, when the Bretton Woods fixed rate system finally collapsed and the old currency "snake" started. Participants' exchange rates compared with the European Currency Unit showed an average change of only 1.9 per cent compared with an average of 5.2 per cent in the six preceding years.

The EMS itself can only be granted some of the credit for this greater stability. The period of exchange rate adjustment following the wide diver-

gences in inflation rates and current accounts of the mid-1970s had largely been completed by 1978. So a greater economic convergence, especially among the key participants, provided a favourable background for EMS.

This convergence has not, however, been in the direction originally desired by the architects of EMS. This is because the renewed surge of inflation from late 1978 onwards — intensified, though not created, by rising oil prices — has occurred in all EEC countries, not just those with existing high inflation rates. Indeed, the relative acceleration in inflation has been greatest in previously low inflation countries like West Germany and the Netherlands.

The absence of major disturbances despite external economic and political problems probably does, however, owe something to the acceptance by the participating countries — and especially by their central banks — of a common approach. This means not only that the banks have had to co-ordinate their intervention policies in foreign exchange markets more closely than in the past but also that monetary policies have also followed each other more closely than in the past. This has in practice meant that participants have had to take their lead from West Germany in applying a tough monetary policy — in what Mr. Gordon Richardson, the Governor of the Bank of England, has aptly described as "competitive non-depreciation."

Dollar/D-mark relations have been the main source of pressure within the EMS so far. Within three months of the start of the system there were complaints by the Belgians that West Germany's desire to hold up the D-mark against the dollar was pushing the Belgian franc down to its lowest permitted level within the system, requiring large-scale intervention.

These pressures might have been manageable for some time — as they were under the old snake — but for the oil crisis and the renewed pressure on the dollar in the late summer. This led to much greater demand for the D-mark compared with other EEC currencies and the resulting pressures forced the late September realignment. This was not entirely satisfactory to all the parties involved, but apart from the Danish krone,

devaluation the parties have lasted.

The pressures have been slightly different this year in view of the growth — and widespread discussion — of the West German current account deficit and the recovery of the dollar. Nevertheless, the Bundesbank has sought to hold up the D-mark in order to attract capital inflows and to fight inflation.

The consequent high, and rising, interest rates in West Germany have forced similar moves throughout the EEC. In some countries, notably Belgium, interest rates are now very high in real (inflation-adjusted) terms because of the

OVER A year ago, when the dollar was weak and seemed to require help in shouldering its burden as a reserve currency, the International Monetary Fund (IMF) began work on a scheme to allow dollars to be substituted by the Fund's own special drawing rights. That scheme has now been put on the back burner as the dollar appears stronger.

Instead the IMF is concentrating on the problem of recycling capital surpluses to the countries that need them. And that is a problem which seems less likely to go away.

The Fund's own forecasts are gloomy. Its board of directors is not only anxious about the outlook for inflation and the stagnation of the economies of the industrialised countries. It is also disturbed about whether the monetary system in general and the commercial banks in particular will be able to keep the system working and handle the huge predicted surpluses of the oil-producing countries.

M. Jacques de Larosiere, managing director of the IMF, expects the surplus of the main oil exporting countries to be \$115bn in 1980 and \$87bn in 1981. He predicts the balance of payments deficits of industrialised countries falling from \$48bn to \$17bn. But he warns that those of the non-oil developing countries will rise from \$88bn to \$78bn.

In New York Citibank, one of America's leading banks,

EUROPEAN MONETARY SYSTEM

PETER RIDDELL

need to maintain exchange rate stability.

The question of sterling's involvement in the exchange rate mechanism remains unresolved. Following talks between the German Chancellor Helmut Schmidt and Mrs. Thatcher in early March the issue was re-examined in London, but in a low key. The

question is back on the agenda, but no more than that. This is essentially because domestic monetary factors remain of prime importance within the UK. The British Government has been reluctant to link sterling to other currencies in a system which would involve large intervention obligations

and capital flows which would jeopardise those monetary objectives.

But EMS was intended by its architects to be much more than an exchange rate mechanism. So far the plans for further development of the system have made little progress. Under the terms of the decision of the December 1978 summit the initial phase of EMS would come to an end "not later than two years after the start of the scheme." After the delayed start this meant March 1981 and, according to the resolution, the next stage would entail creation of a European Monetary Fund, full use of the European Currency Unit as a

reserve asset — all based on "adequate legislation at the Community as well as at the national level."

To other countries' surprise the Belgians raised the subject at the Dublin summit last December. This led to a re-examination of the issues by officials from all EEC countries. (This includes the UK, which is fully involved in these discussions even though sterling is not linked to the other currencies.) These discussions did not achieve much apart from showing that major uncertainties remain about the form of the next stage — whether the existing arrangements should in effect be

continued with the existing European Monetary Co-operation Fund being renamed.

The alternative is the establishment of a European Central Bank with widespread control over monetary policy and pooling of reserves with the European Currency Unit developed as a real alternative to the dollar. This raises wide-ranging questions of national sovereignty, the role of gold and a multi-currency reserve system. The question has in practice been deferred as Chancellor Schmidt and France's President Giscard d'Estaing have decided to wait and leave a decision until after their elections.

System faces mounting challenge

INTERNATIONAL MONETARY FUND

DAVID TONGE

tells visitors that provided the rise in oil prices is a steady one the banking system will be able to handle the recycling problems involved, just as it handled the \$80bn oil surplus of 1974.

But other banks and the IMF are less optimistic. At a meeting on March 19 the IMF Board of directors agreed that the large deficits of oil importing countries would not quickly fade. It talked of "warning signals" about the banks' ability to re-cycle these in 1981 and of indications that the banks might become progressively more cautious in recycling. Next year could prove a testing one indeed. "It looks pretty grim for most developing countries and the experience of Turkey does not make it easy to whom to borrow," is the tone which executive directors from developing countries adopt in private.

Last month's meeting in Hamburg of the Finance Ministers who constitute the IMF Interim Committee agreed that the IMF should play a greater role in re-cycling. But it is still too early to predict

whether the IMF will be more successful in this than it was after the last oil crisis; it then agreed that it should play a larger role, but in practice most of the running was made by the commercial banks.

To play a larger role the IMF will need to increase both its funding and its lending. The first of these tasks is the easier. Its present liquidity is adequate, and even if the U.S. Congress has dragged its heels about U.S. participation, a 50 per cent increase in quotas seems on its way. This would still leave the share quotas relative to international trade far below those prevailing when the IMF was established in Bretton Woods in 1944. A further, eighth quota review, has been proposed, but for the moment the IMF prefers to increase its borrowing.

Discussions

At present it has \$8bn borrowed under the General Agreement to Borrow and \$10bn raised for the supplementary financing facility, the so-called Witteveen Fund. The IMF Board does not consider further

borrowing is an immediate necessity, but at Hamburg the Interim Committee authorised M. de Larosiere to start discussions with potential lenders.

The main capital surplus countries are the oil producers, and it has already been reported that Saudi Arabia, in principle, has agreed to lend bilaterally to the IMF. But OPEC members are adamant that any future arrangement should not be restricted to them: they argue that the oil facility established after the last oil price crisis brought them adverse publicity by focussing attention on oil. Their view is that their pricing policies reflect the way that oil is a finite resource and that the prosperity of the West has been built on cheap prices for it. They now wish any future arrangement to include other commodity producers or country groupings.

In this context it is important that the funds are borrowed cheap. The IMF's charges have long been below market rates, and developing countries are keen to see this continue.

While all these problems of funding seem resolvable, far more contention surrounds the issue of how the IMF can increase its lending. In 1979 repayments under the IMF's regular facilities exceeded borrowings by \$3.1bn. Non-oil developing countries have not been socking to its door. In 1978 they paid back \$900m

more than they borrowed. In 1979 fresh advances of \$1.8bn only marginally exceeded repayments of \$1.6bn. The main borrowers included Ghana, Jamaica, Kenya, Peru, the Philippines and Sudan. Turkey and South Korea have also signed significant agreements with the Fund.

But the disputes between Turkey and the IMF in 1978 and early 1979 and between Jamaica and the IMF today are indicative of the problems that can arise. M. de Larosiere has been keen to see the IMF more active in lending, but the developing world finds that the conditions it has to meet are rigorous.

Weapon

Hamburg itself saw little shift in the industrialised world's insistence that "conditionality" should continue to apply. It also saw the Third World temporarily disarmed of one weapon. The decision to go slow on the substitution account meant that the Third World, whose approval is required for the scheme's formal adoption, was unable to insist on a quid pro quo.

But there has been a slow evolution in the Fund's thinking. It is increasingly recognised by the IMF Board that countries need help in altering their economic structures to take account of the changed level of oil prices.

The new catch phrase is "structural adjustment." The March 19th meeting of the IMF Board saw this agreeing that the Fund's programmes while continuing to include demand management, should put greater emphasis on the "supply side" of economies in order to foster a stronger productive base and maintain growth.

The board also agreed on three further points. The first was that structural adjustment might require adjustment taking place over a longer period than normally prescribed by the IMF. IMF programmes might be necessary for up to two years, with indications of policies for the medium-term. The second was that there should be close collaboration with the World Bank which is also extending its programme lending to the area of structural adjustment. The third was that it might be necessary for the IMF to lend individual countries a larger multiple of quotas.

All this implies a modified role for the IMF. Traditionally it has provided balance of payments finance to countries in short-term difficulties. Its policies and attitudes are still conditioned by this. Moreover, the commercial banks, on whose support many of its country programmes depend, are insisting that they are in the business of banking rather than that of providing development aid.

FIRST BANK OF NIGERIA LIMITED

Since our establishment in 1894 as the first Commercial Bank in Nigeria, we have been most actively involved in the growth of Nigeria's economy, providing domestic and international banking facilities, including short and medium term finance, to meet the expanding demands of the development of this major West African country.

Today, we operate the largest network of branches, agencies and offices in the country, and offer comprehensive banking services in all of our branches throughout the Federation of Nigeria. We enjoy the position of being the largest bank in the country.

Should you wish to explore the possibilities of doing business in and with Nigeria, and are in need of any advice or assistance, please contact us; we are, after all, the leader in banking business and expertise in our country.



FIRST BANK OF NIGERIA LIMITED
EXPERT BANKING BY THE LEADER

In need you can contact
MR. ALAN J. MILTON
or MR. KOLA A. ATOYEBI OF
OUR HEAD OFFICE,
MARKETING DEPARTMENT,
LAGOS 0102341664041

CASSA DI RISPARMI E DEPOSITI DI PRATO

150 years experience

900,000m. lire
administered funds

57,000m. lire
reserve funds

at the service of businessmen
of the most
important textile area
in Europe.

1830
1980
CASSA
DI RISPARMI
E DEPOSITI
DI PRATO

THE CHANGING structure of the international reserves system has become a symbol of today's world economic disorder.

The dollar is no longer accepted as the sole important reserve currency, in part reflecting the relative shift in the political and economic balances of power away from the U.S. over the past few years.

Mounting payments imbalances and the liquidity-clearing efficiency of the international capital markets are creating a steadily growing stream of reserves flowing into the coffers of official monetary institutions in both the industrialised and the developing parts of the world.

Uncertain foreign exchange market conditions, the growing professionalism of central bank currency management, and a new political dimension to currency risk since President Carter's Iranian asset freeze have brought sweeping changes to the way countries invest their official holdings.

Diversification away from the

dollar, long practised by only the avant garde or the exotic among the developing country central banks, has now caught on among most countries outside the Group of Ten and Switzerland.

Even some of the industrialised countries are now making small but significant additions to their non-dollar holdings.

"Alternative" reserve currency countries such as West Germany, Switzerland and Japan are softening their traditional reluctance to allow their currencies to be used as reserve assets. And the U.S. itself can be seen leading the way into a new era by assiduously building up for the first time significant reserves of D-marks to help international central bank efforts to steady the dollar.

There remains a good deal of debate about whether a multi-currency reserve system—in which the dollar, while retaining the pre-eminent reserve asset, shares its role with an increasing number of other important currencies—inherently

WORLD BANKING IV

Search for more orderly system

INTERNATIONAL RESERVES

DAVID MARSH

leads to unstable conditions on exchange markets. But there is hardly any argument now on the international finance ministry and central banks' circuit that such a system, for better or worse, has to be lived with.

Certainly, now that Germany, Japan and Switzerland during the last few months have been explicitly encouraging controlled diversification flows into their currencies as a way of strengthening them against the dollar, there is less evidence in favour of the proposition that the multi-currency system is intrinsically destabilising.

Ironically enough, as Mr. Fred Bergsten, the assistant U.S. Treasury Secretary, pointed out at the beginning of this month, the development of a multi-currency system has been

buried along, if anything, by the demise of an institutionalised scheme which aimed to lower the importance of the dollar in world reserves.

This was the International Monetary Fund's plan for a substitution account, under which central banks wishing to dispose of part of their dollar holdings could exchange them for assets denominated in Special Drawing Rights.

The IMF had hoped to launch the scheme next year. But for a variety of political and technical reasons, it was put on ice at the international finance ministers' meeting in Hamburg last month, and looks highly unlikely to be resurrected.

"alternative" reserve centres. Germany, in particular, had previously warned to the substitution account scheme as a way of deflecting unwanted diversification flows away from the Deutsche Mark.

But now that the Federal Republic and Japan are both deep in current account deficit, (Switzerland is facing a much reduced surplus this year and may even go into the red too) none of the "hard" currency countries spoke up for the proposal in Hamburg.

With the failure of the substitution account to get off the ground, the IMF's long-running effort to increase the importance of the SDR in world reserves has suffered perhaps its most serious setback. After the steep climb in the bullion price, the proportion of SDRs in total reserves looks even more puny when set against the share now taken by gold—which the SDR was originally designed to replace.

By opting for a multi-currency system, regulated primarily by the markets rather than a rigid scheme administered bureaucratically by the IMF, the official financial community has set itself a large-scale challenge over the next few years.

Central banks in particular will have to find better ways of managing the de facto system of several competing reserve currencies in order to spread out the benefits and the disadvantages as evenly as possible.

One way of doing this which some central bankers have been mentioning recently would be to increase cooperation between the reserve centres within the Group of Ten and the large reserve holders, among the oil exporting countries and elsewhere at present outside the club.

An idea of the difficulties of controlling such a system is given by the IMF's official figures for total world reserves at the end of 1979.

Applying the market price for gold (around \$500 per ounce), the total came to around \$820bn. Of this, foreign exchange holdings came to some \$320bn, gold \$470bn, SDR holdings \$16bn and reserve holdings in the IMF \$15bn.

Whatever the precise shortcomings of the statistics, there is no doubt that the totals involved have risen dramatically in recent years. At the end of 1972,

the IMF's figure for foreign exchange reserves was only around \$100bn. In 1976 \$190bn, and in 1979 \$285bn.

Of total foreign exchange reserves, the dollar's share is still around 75 to 80 per cent. Rough estimates split the remaining 20 per cent between the D-mark with more than 11 per cent, the yen and the Swiss franc 4 to 5 per cent each, and sterling, the guilder and the French franc all with 2 per cent and under.

The dollar component has in fact remained remarkably stable at around 80 per cent over the last decade, with the D-mark's share growing to a level comparable to that enjoyed by sterling at the start of the 1970s. But this apparent stability gives a deceptive picture of what has been happening.

A large part of the gain in dollar reserves simply reflects the big rise in holdings of the main group of industrial countries—West Germany, Japan, Switzerland, France, Italy and the UK—which bought up large amounts of dollars during the currency's weakness of the late 1970s.

Recognised

The problematic structure of world reserve holdings has long been recognised. No less a figure than Mr. Gordon Richardson, Governor of the Bank of England, has spoken of the "relative decline in the absolute dominance of the U.S." and stated that it was difficult to believe that over the longer term so large a proportion as 80 per cent of the world's currency reserves would be held in dollars.

The other countries in the industrialised world, whose cooperation is required for progress towards a properly managed multi-currency system, are now at last showing signs of facing up to their responsibilities.

It is still far from clear whether this set-up will be more stable than any other reserve system with which the world has lived up to now. But with the financial markets fundamentally exposed to all kinds of potential disruption both from the OPEC surplus as well as from highly divergent inflation rates among the main currencies, the goal cannot be stability but rather avoiding too much instability—and here a multi-currency system may well prove to be an adaptable animal.

Barometer to watch

GOLD

MARTIN TAYLOR

ONE WAY and another, gold has had a lot of publicity over the past six months, not all of it favourable. To a central banker agonising over whether—and how—the metal might take a more important place in the world's reserve asset system, the gyrations in price pose an almost intolerable dilemma. They show once again that gold is both too important to be ignored and too hot to handle.

From its traditional role as a stabiliser of the international monetary system, gold, to some extent excluded from that system, has shown its power as a disruptive force. For the partisans of gold's monetary role, the answer is simple: the metal should be rehabilitated as an international standard for settlements. Yet gold possesses a number of features which might be expected to disqualify it from such a role. Since the attempts to demonetise it, gold has behaved more and more like an ordinary commodity, at a time when commodity prices in general have been behaving in extravagant ways. Demand for gold from jewellers may be relatively predictable over the medium term, industrial demand is a different matter, now that raw metals are finding all sorts of new applications—warheads, in the case of gold. Gold no longer has that sublime uselessness which used to enhance its position as a pure numéraire.

Nightmare

The position of new gold supplies is a political nightmare. That the Western world should consider basing its economic system on a substance emanating from South Africa and the Soviet Union is too ludicrous to be ironic. No difficulties have been experienced so far with the two major suppliers, but there is no guarantee that things will be as satisfactory for ever. The possibility that South African supplies might be seriously disrupted at some stage in the future may be a good reason for hoarding gold now, but it makes the adoption of the metal as a standard rather hazardous.

The very fact, too, that by pushing troops into Afghanistan the Russians could double the value of their gold holdings is also a doubtful recommendation for gold as a standard of value.

The development of gold futures markets, while it must be welcomed by those with a genuine need to hedge physical supplies, seems to have amplified price fluctuations. The "sloshing pool" of Eurodollars which is supposed to leave the dollar open to unreasonable and drastic speculative movements, leads in general to more stable market conditions than the small supplies of physical gold, now that they can be bought and sold forward on margin. Of course, the U.S. authorities, by their spasmodic and unpredictable series of gold auctions, have only intensified the instability of gold.

But then if gold did return to a more central role in the world banking system, central banks would presumably take steps to avoid any Bunker Hunt-like. The most convincing argument for gold to resume some sort of role as a standard is that it might foster discipline among national monetary authorities and confidence among users of money. The popular theory that gold holds steady in value against the most basic of consumer goods over the centuries has taken something of a knock this year—unless you are unusually indulgent about blips on a chart. But despite recent speculative losses, investor confidence in gold generally seems to be higher than for many years.

The extraordinary price behaviour of gold over the last winter has of course reflected political as well as economic fears, although the two have been hard to disentangle. But quite apart from the co-in-

dence of accelerating inflation and heightened international tension in a uniquely sensitive area of the world, there were sound fundamental reasons for a solid advance in the price of the metal.

An end could at last be seen to the series of IMF auctions, which run their course this summer, and the enthusiasm of the U.S. Government for dumping gold on the market from its reserves to support the dollar has noticeably waned. On top of this, the improvement in the South African economy made it likely that the volume of official gold sales by the South African Government might be reduced, and Soviet selling seemed to have dried up for a time—perhaps because the higher gold price had enabled a set objective for raising foreign currency through gold sales to be reached earlier than expected.

Then again, the success of gold as a hedge against currency fluctuations seemed to have persuaded, even the most sceptical international portfolio managers that an increased investment weighting in gold was desirable—not on a trading view but as a strategic stance. Long before the Russian troops entered Kabul, a steadily increased demand for gold was in evidence.

Another key factor in improving sentiment among investors has been a tentative shifting in favour of gold of the long-ambivalent attitude of the central banks. It is still possible for U.S. officials to make speeches on international monetary affairs without mentioning the metal. But a number of other central banks have followed the lead of the Banque de France in revealing their own gold holdings. The willingness of world monetary authorities to discuss the possible impact of world liquidity and inflation of their own acceptance of a higher gold reserve valuation is in itself a step towards remonetisation.

Pretensions

More significant still is what the central banks have not done. Not one of them sold gold in January, although they were happy to declare that the price was ridiculously high. A concerted sales programme to knock on the head for good gold's pretensions to reserve asset status would now be supported, by fewer central banks than ever; the question now is to what extent central banks will be able to mobilise their gold reserves.

In between revaluations the central banks behave for the most part as if their gold reserves did not exist. But borrowing on the collateral of gold—as in the German Bundesbank's balance of payments loan to Italy—has been accepted, and the credit rating of Germany itself, if it chooses to borrow abroad, is as high as it is because of the country's large gold reserves. The Germans may not revalue their gold holdings but anybody can do the sums.

The European Monetary System has a facility for the settlement of debts between central banks in gold. Teatious signs are emerging that central banks are prepared to treat the problems connected with their gold reserves as practical rather than theological questions.



Banca del Monte di Milano
Established 1496
Member of Italian Savings Banks Association

FOREIGN SERVICES

- * AUTHORIZED BANK FOR FOREIGN SERVICES (-BANCA AGENTE-)
- * ASSOCIATED TO S.W.I.F.T. (CODE BMMI IT MM)
- * WORLD-WIDE BANKING SERVICE
- * CORRESPONDENTS THROUGHOUT THE WORLD

HEAD OFFICE
MILANO - Via Monte di Pietà 7
P.O. Box 1898
telephone 88861
telegrams: Bankmont
telex: 310568 BMMDIR (general)
321044 BMMCAM
(foreign exchange)

BRANCHES
MILANO - Main Branch - 16 Town Agencies
CINISELLO BALSAMO (MI) - CARUGATE (MI)
MONZA (Milano) - MANTOVA - CREMONA

amro bank
amsterdam-rotterdam bank nv

Branches, subsidiaries or affiliates in every major world financial centre



ISTITUTO MOBILIARE ITALIANO

a wide range of financial services to industry

- Medium and long-term finance for industrial investment:
 - * at market rates
 - * at low-interest rates (applicable to small and medium enterprises, Southern Italy, depressed areas of Central and Northern Italy, etc.)
- Equity participations
- Aid for industrial research and development
- Shipping finance
- Financial assistance to promote Italian exports and activity abroad (export credit financing; buyer credit)

- Foreign currency loans
- Technical and financial consulting and support services, either directly or through associated companies; specialised short- and medium-term finance; leasing; underwriting; introduction of Italian enterprises on foreign financial markets; mutual investment funds; auditing; trustee services

IMI raises funds on the Italian and foreign capital markets mainly by floating bonds which are listed on the stock exchange and very popular among small and large investors.

Loans outstanding including special operations as of Dec. 31, 1979: Lit. 12,049 b. = \$15,043m.
Placed and outstanding bonds as of December 31, 1979: Lit. 9,942 billion = \$12,412m.
Other medium-term borrowings as of December 31, 1979: Lit. 1,601 billion = \$1,999m.

Head office:

25 Viale dell'Arte—00144 Rome, Italy

Representative Office in LONDON: 8 Laurence Pountney Hill, London EC4R 0SE. Telephone: 626 3122/3/4
Telex: 887671 IMI London

Other Representative Offices in: Washington, Zurich, Brussels, Mexico City
Regional Offices in: Milan, Turin, Genoa, Padua, Venice, Bologna, Florence, Rome, Bari, Naples, Catania
Monetary values in U.S. dollars were calculated at the exchange rate of Lit. 801 to the U.S. dollar



MONTE DEI PASCHI DI SIENA
Bank founded 1472
397 branches in Italy

Representative Offices abroad:
Frankfurt a. Main, London, New York, São Paulo, Singapore, Tokyo (A.L.C.I. Holding)
Head Office Siena (Italy)
Correspondents all over the world

International tension shows cracks in the system

THE RAPID growth of cross-frontier bank lending has been further fuelled in the past year or so by the reappearance of the financial surplus of the OPEC oil producers.

Once again the international banking system is thrown the challenge of the recycling of international currency flows. But the need to step up international lending has come at a time when the strains of previous recycling activity have been starting to show through rather ominously.

Countries like Turkey and Zaire have been forced into drastic attempts to reschedule and renegotiate foreign borrowings. There is concern at the deficits and debts of certain other developing countries.

Brazil is the name which is most often mentioned by bankers in this connection.

A further dimension of risk has been added by political developments. The revolution in Iran and the sanctions recently imposed by the U.S. and other countries have turned a major borrower into a serious credit risk—and have incidentally exposed structural weaknesses within international banking syndicates which have often been shown to be far from united in their approach.

Moreover the intensification of the international tension following the Soviet occupation of Afghanistan has cast a shadow over the West-East lending scene.

Borrowing in hard currencies by Comecon countries has been growing fast, but there is now a renewed awareness both of the political dangers and of the economic risks faced by big borrowers—notably Poland—which are having trouble in servicing their debts.

The need to find new ways of assessing their big existing international loan portfolios, as well as to judge the pros and cons of possible new commitments, has caused bankers to think more deeply about the subject of country risk. There have been attempts to develop a more objective approach to what has in the past tended to be a highly subjective area.

Unavoidably there has to be a strong subjective element to the assessment of a purely political risk. The prospect of stability is obviously the key element here, and Iran provides a key example of how a comparatively highly rated borrower can go suddenly tumbling down the credit rating tables.

Normally, the short-term political risk is that a borrower will default. There was an unusual twist in the Iranian situation, however, in that the Americans froze Iranian dollar assets and so it was not entirely clear whether the Iranians

defaulted or were prevented from fulfilling their obligations. The distinction has turned out to be an important one, and has caused much strife within lending syndicates.

Economic risk—the inability of a country to meet its commitments, even when there is a political will to do so—is more amenable to quantitative assessment, although the lack of reliable statistics may be an obstacle.

view what is important is not so much a country's existing performance as its potential ability to adjust in a crisis.

A high import propensity may not be such a disadvantage if there is a large element of essential consumer goods which, at a pinch, could be done without. In many developing countries, however, imports will be largely made up of essential raw materials or capital equipment.

Other things being equal, a high GNP per head is better than a low one, since it means that output could be shifted in a crisis into improving the balance of payments. It is not as simple as this, however, because not all countries are capable of producing goods which can be traded internationally. This is a problem for some Comecon countries, for instance, even though their GNP per capita levels may be comparatively high.

In looking at exports, bankers will give high marks for diversity, and low marks for a concentration on a very few commodity-type products where price weakness could lead to balance of payments problems with very little prospect of remedial action.

Zaire and Zambia, with their dependence on copper, are examples of this type of problem.

A few banks rely extensively on such quantitative analysis, but probably most of them lean more flexibly on both subjective and objective criteria.

The more cautious will rely on the direct personal experience and judgment of the bank's executives, and will not become exposed to countries where there is no direct knowledge within the bank.

Whether the rating system, it is normal for banks to set limits on the exposure to individual countries. Of course, there is a price for risk and if the rewards are adequate enough to allow appropriate loan loss reserves to be set up—banks will still get involved in what may appear quite risky lending.

Bankers tend to complain about the narrowness of lending margins, or spreads. But these can be misleading, because finance ministers know that prestige is attached to a low spread and are more willing to concede extra returns in less sensitive areas of the lending package, such as front end fees.

It is not unknown for banks to receive rewards from separate transactions as well.

Moreover, big banks often tend towards a portfolio approach to risk management. Individual risks may sometimes look high, but so long as they are spread in a diversified way the impact of a small number of individual defaults can be absorbed.

Slow start in a cautious market

THE SYNDICATED credit market got off to a slow start in 1980. According to figures compiled by Morgan Guaranty Trust Co., the volume of published Eurocurrency credits in the first quarter amounted to only \$10.1bn compared with \$16.4bn in the same period of 1979.

This is a striking development when set against the widening current account payments imbalances that are emerging around the world following the very sharp increases in the price of oil.

Normally one would expect countries with growing current account deficits to borrow more on international markets. That this did not happen probably reflects more than anything else the technically difficult situation of the market as the year began.

Last year saw a very rapid expansion of market volume with total new credits rising to \$82.8bn from \$70.2bn in 1978. They were thus almost double the amount of \$41.8bn arranged in 1977. Keen competition for mandates led to strong compression of spreads, so that in June the French State electricity EDF was able to sign a standby \$1.1bn credit with a spread of only 0.15 per cent for the first two years, 0.25 per cent for the next four years and 0.35 per cent for the remaining four years.

The largest borrower in the developing world, Brazil, was by contrast able to obtain a split spread of 1 and 2 per cent on its \$1.2bn 12-year Eurocredit signed in November.

By the end of the year, however, banks were becoming increasingly cautious. Not only were legal lending limits being neared in many cases; there was also growing concern about the low profitability of small spreads as well as the dwindling differential in prices between prime-rated industrial borrowers and the less attractive risks in the developing countries.

SYNDICATED CREDITS

PETER MONTAGNON

borrowers. As one American banker put it: "It was like a group of sailors looking at a solitary girl."

Now the question remains as to whether spreads will rise later in the year. The argument in favour of this says that borrowers will return to the market to force during the summer to catch up on the borrowings they delayed in the early months of this year. They could be all the more encouraged to do this by signs of a turnaround in U.S. interest rates.

Swamped

There are still, however, some fundamental arguments in favour of the continuation of the borrowers' market. The first, and most important, is that banks increasingly find themselves swamped with liquidity. The OPEC surplus is expected to rise to about \$115bn this year from about \$60bn last year. This money is finding its way into the banks and they simply have to find assets to match it.

At the same time banks have been experiencing run-offs in their existing portfolios, which they need new business to offset. Often they also have budgeted targets to fulfil and there is always the prospect of fee income from taking on management positions in international credit positions in international credits.

Since the beginning of April supply has also been boosted by the reappearance of Japanese banks in the syndicated loan market. These banks were forced to withdraw last October by their Ministry of Finance. For the current fiscal year, which runs to end-March 1981, they are expected to contribute a volume of some \$5m to the market. This is not large compared with their activity in the past, but it will boost the available supply of funds for lending, especially since the U.S. banks do not seem to be suffering quite the constraint expected immediately after the last Carter economic package.

For the better rated borrowers, especially those in Western Europe, this should mean that there is very little upward pressure on spreads. Less well rated borrowers such as Brazil, which has a very large requirement indeed this year, will not escape so easily. The result should be at least a greater pricing differential between the various categories of borrowers.

Differential

How far this differential does in fact wide will depend on a number of factors. Over recent months international banks have become increasingly disturbed by developments in Iran and Afghanistan. Escalation of the tensions has made them much more selective and prompted something of a flight into quality in syndicated lending. If the situation deteriorates further borrowers in Western Europe will benefit accordingly while those in Eastern Europe and the Middle East will find their banks increasingly reluctant to do business.

On the other hand there is some doubt as to the extent of the surge in demand that may materialise in the summer. Many developing countries last year added substantially to their reserves as they were able to take advantage of the borrowers' market in syndicated credits. This may well permit them to continue to hold back from the market for the rest of the year. Whatever happens, the upshot is that it has become peculiarly difficult for banks to find the right price at which to lend.

Clamour

As a result the banks began to clamour for an increase in margins. Experience to date shows that their wishes have been fulfilled in a very limited way only, even despite the uncertainty generated by the U.S. freeze of Iranian assets and the Soviet invasion of Afghanistan. This did, however, herald a period of extreme nervousness in the syndicated credit markets during which both the banks and the borrowers held back. What emerged was a war of nerves, with the two sides playing a game of cat and mouse.

On the one hand several major borrowers held back from the market in the hope that things would settle down. Even if spreads were about to rise they were reluctant to be the first to be seen paying more. A further deterrent was the very high level of U.S. interest rates in the period up to mid-April.

Six-month Eurodollar rates at their peak were quoted around 20 per cent; at the start of this year they were only about 14 per cent. For every \$100m borrowed this meant an extra \$8.5m annually in debt service charges. For some borrowers this sort of cost was simply too steep, especially since in a number of countries the cost of raising funds abroad exceeded that of domestic funds.

At the same time many banks were also more cautious, believing that if they did not run after business spreads would rise eventually. Some finely priced deals thus progressed rather slowly, including one seven-year \$250m credit for the National Bank of Hungary with a split 1-1 per cent margin over prime or 2 spread over Libor and a 10-year \$250m credit for Brazil's Petrobras with a split margin of 1 and 1 per cent.

This tactic has not worked properly so far. While it is clear that maturities have been falling, spreads have stayed low except in a number of special cases. Even during the period of restraint there were always banks that actively sought mandates to boost fee income. This played into the hands of the

COUNTRY RISKS

BARRY RILEY

Requirements

Factors that are important here are the size of external debt, its rate of growth, the level of exports relative to debt service requirements, and the level of gross national product per capita. Many different economic and demographic elements may, of course, be analysed in this type of risk rating system.

From the banker's point of

view what is important is not so much a country's existing performance as its potential ability to adjust in a crisis.

A high import propensity may not be such a disadvantage if there is a large element of essential consumer goods which, at a pinch, could be done without. In many developing countries, however, imports will be largely made up of essential raw materials or capital equipment.

Other things being equal, a high GNP per head is better than a low one, since it means that output could be shifted in a crisis into improving the balance of payments. It is not as simple as this, however, because not all countries are capable of producing goods which can be traded internationally. This is a problem for some Comecon countries, for instance, even though their GNP per capita levels may be comparatively high.

In looking at exports, bankers will give high marks for diversity, and low marks for a concentration on a very few commodity-type products where price weakness could lead to balance of payments problems with very little prospect of remedial action.

Zaire and Zambia, with their dependence on copper, are examples of this type of problem.

A few banks rely extensively on such quantitative analysis, but probably most of them lean more flexibly on both subjective and objective criteria.

The more cautious will rely on the direct personal experience and judgment of the bank's executives, and will not become exposed to countries where there is no direct knowledge within the bank.

Whether the rating system, it is normal for banks to set limits on the exposure to individual countries. Of course, there is a price for risk and if the rewards are adequate enough to allow appropriate loan loss reserves to be set up—banks will still get involved in what may appear quite risky lending.

Bankers tend to complain about the narrowness of lending margins, or spreads. But these can be misleading, because finance ministers know that prestige is attached to a low spread and are more willing to concede extra returns in less sensitive areas of the lending package, such as front end fees.

It is not unknown for banks to receive rewards from separate transactions as well.

Moreover, big banks often tend towards a portfolio approach to risk management. Individual risks may sometimes look high, but so long as they are spread in a diversified way the impact of a small number of individual defaults can be absorbed.

Umbrella

This approach can run into problems, however, when trouble hits a whole group of countries. A prime example of this is the Comecon group, where there is concern that the protective umbrella previously thought to have been provided by the Soviet Union could, in certain circumstances, now be removed.

Many bankers have in the past considered that the Soviet Union would come to the rescue when one of its allies found itself in financial difficulties.

There has been no legal basis for such assistance, but it has been felt that the Soviet Union

would not wish the creditworthiness of the whole Eastern bloc to be tarnished by the problems of one of its members. Therefore Western bankers have often been inclined to assess Comecon as a whole rather than to look at individual countries.

In the changed post-Afghanistan climate, however, the political risks have increased. Bankers are concerned that in certain circumstances the Soviet Union could actually use a default by a Comecon member as an economic weapon against the West. So there is now more discussion of individual country risks within Comecon, and of course the highly exposed position of Poland has come in for discussion in this connection.

Such changes of attitude serve to highlight the way in which the perception of country risk can alter very rapidly. It is only about four years ago, after all, that the credit rating of the United Kingdom was at a very low level for an advanced industrial nation.

The rapid growth of North Sea production and soaring oil prices have, however, helped since then to push the UK to a place very near to the top of the country credit rating list.



TEN SOLID REASONS WHY KRUGERRANDS ARE THE BRIGHTEST WAY TO INVEST IN GOLD.

Krugerrands are gold
Each Krugerrand is a beautiful gold bullion coin which contains exactly one troy ounce of fine gold.

Gold is rare. Gold is beautiful. Gold is the world's true wealth. It's hard to find, it's hard to mine and it's business the most sought after material known to man.

There's only so much gold in the world. That's why historically it has held its value against paper money. And although in the short term its price can go down as well as up, history has shown that gold has retained its value unlike many other forms of investment.

Krugerrands, one of the cheapest ways to buy gold.
Although you can now buy gold bullion, Krugerrands are cheaper. This is because they are not subject to the 15% VAT payable on bullion.

Also there is only a minimal premium over the gold price (usually between 5% and 8%) which covers the cost of mining and distribution.

Consequently they are generally accepted as the most economic and realistic way to invest in gold.

Krugerrands are international.
Krugerrands can be bought and sold almost anywhere in the world. They are internationally respected and accepted because Krugerrands are an integral part of the gold market and they are traded internationally as bullion.

Their buying and selling prices are quoted daily around the world.

Krugerrands are private property.
In many countries rapidly increasing number of people are making gold part of their portfolio.

There's no paperwork in buying

Krugerrands. All you need is money.
You can't even buy a car that way.

Krugerrands are dependable.
Gold is something you can trust. Throughout the ages gold has held its value and, whilst in the short term the price can go down, there has been a dramatic increase over the past ten years.

Where other currencies come and go, gold soldiers on.
And now the Krugerrand makes it simple for you to own.

We'd hardly suggest that you give up all your other investments and buy Krugerrands.
But for insurance it might be a safe idea to make gold part of your portfolio.

Krugerrands are portable property.
Property has always been a good investment but you can't take bricks and mortar with you. Krugerrands go where you go and are worth the same almost anywhere in the world.

Krugerrands are easy to buy.
There is no maximum or minimum limit to the amount of Krugerrands you may buy.

Most banks can supply you with these beautiful gold bullion coins and you simply pay with cash or a cheque.
It's easy.

Krugerrands are easy to understand.
You can be your own investment expert. Because your Krugerrands each contain exactly one ounce of gold.

merely by picking up the newspaper
you can assess their value immediately against the price of gold which is also quoted per ounce.

Krugerrands are your own business.
When you own Krugerrands you know where they are. You know their value. You know where you keep them. And you know that they're immediately available.

And there's no-one else involved in their release should you need money quickly.

Krugerrands are better than paper money.
Money inflates. Money devalues.

A Krugerrand on the other hand is less prone to the fortunes of any one government. Of course it would be unfair to suggest the price of gold does not fluctuate from day to day in common with other investments but in the long term it has consistently beaten inflation.

A Krugerrand is its own bank.
So why take a chance with money? History has shown that owning a little gold can provide security.

And that's worth having.
Go to your bank or ask your broker about buying Krugerrands. If you'd like more information send off the coupon below for a free copy of our leaflet: "Gold Facts and the Krugerrand"



KRUGERRAND
The world's best way to own gold

To: International Gold Corporation,
P.O. Box 98, East Molesey, Surrey.
Please send me a free copy of "Gold Facts and the Krugerrand"

Name _____

Address _____

_____ FT

WORLD BANKING VI

Spurt in dollar issues brings record total

THE VOLUME of new Eurobonds floated last year reached all time record of \$18.7bn, yet so did the volume of bonds which new issue managers were forced to hold, sometimes for many weeks before they could place them with investors. There have been signs of a change in investors' attitude, but that will not erase the painful memories of last winter.

As Mr. Ian Kerr of Kidder Peabody International recently put it: "For experienced Eurobond traders, 1979 may prove to be the year which made 1974 seem fun. It began poorly and achieved the unusual distinction of maintaining a course of almost consistent deterioration."

The root cause was the persistent fragility of the dollar and for months the international bond markets clamoured for strong measures to support it. Every lurch upwards in the dollar rates provoked the same reaction from most investors—too little and too late. In mid-October however, the recently appointed chairman of the U.S. Federal Reserve, Mr. Paul Volcker gave the markets what they wanted—a package which included a boost in the U.S. discount rate to a record 12 per cent.

The market reeled at Volcker's medicine: prices of seasoned issues fell by up to four points in the week to October 12.

First Chicago estimated that straight and convertible dollar issues which, by October 19 totalled \$5bn in face value for the year showed a capital loss of \$245m, \$200m of which was incurred since the end of September.

The market's fragmentation increased; in the week or so following the Volcker package there was no bid for many bonds and price quotations were wide across the board though only two market participants announced their decision to widen the spread in prices for the bonds they traded.

One of the houses was Kuhn Loeb Lehman Brothers, which earlier this year decided to narrow the list of issues it makes markets in to those which it had managed and co-managed.

The amount of bonds traded in a given transaction shrank dramatically, to less than 100 in many cases. The decline in transaction size had been a feature of the markets since the late spring of 1979 but it took on a dramatic aspect in the weeks following the Volcker package. However, the level of 25 bonds, touched in 1974, does not appear to have been reached.

The state of the secondary market earlier this year could be summarised as follows: despite some new arrivals in the Eurobond secondary market,

overall liquidity deteriorated substantially in 1979, one of the major results being that at least one-third of all Eurobond issues have no effective secondary market.

Almost all the established trading houses have cut back their inventory to some extent and have reduced the total number of bonds which they trade.

Crisis

The crisis of last winter was made much worse by the fact that for a long time the dollar sector of the market was trying to have it both ways. The mispricing of issues had become the rule rather than the exception and this has compounded the problem of the trading sector.

Mispricing has been the direct result of the growing competition to get mandates and is not new. But with rising interest rates increasing the cost of carrying bonds, some bond houses have had to pay a very heavy price for not being able to place bonds quickly.

The mispricing of issues has also driven away many investors—particularly those of the retail variety. Initial mispricing has resulted in major capital losses for some private clients and, despite the rise in prices last month, the face value of

EUROBOND MARKETS

FRANCIS GHILES

many bonds is still well below that at which they were issued.

The boom in new issues which has resulted in recent weeks from the fall in U.S. interest rates and the very sharp rise in prices of seasoned issues, welcome as they are for new issue managers and dealers alike, will do nothing to help restructure the market internally.

Primary mispricing has become such a way of life for many bond houses that it is difficult to see it changing. Leading institutional buyers of bonds are well known and thus are constantly approached by everyone in the market.

Syndicating new issues was made more difficult by the activities of the so-called "grey market" where pre-market bid and offer prices are quoted by an informal network of dealers, the best known of which are Ross and Partners (Securities).

Such activities are attacked by a number of new issue managers who claim that they effectively sabotage new issues

by encouraging discounts in the price offered to important investors. The grey market defenders retort—with more than some justification—that the primary market has lost touch with reality.

Some bond houses did attempt to improve the distribution of bonds. In July S. C. Warburg reduced the full underwriting on a \$100m issue for Sweden to a low 1 per cent and offered the bonds on a yield basis. They did the same in March on a \$500m issue for the same borrower.

One borrower, the EDB, whose appetite for new funds is almost insatiable arranged an auction for an issue it managed itself. The formula worked once—but was not repeated.

Investor wariness with fixed interest rate paper turned attention to the floating rate market. A greater volume of floating rate notes issues were arranged last year than fixed interest rate bonds.

Despite the fact that this

sector did suffer somewhat towards the end of 1979 from the unwillingness of many new issue managers to differentiate between various categories of borrowers in new issue pricing, FRNs now appear to have been accepted by many institutional investors as a "must" for their portfolios.

Since Easter, the dollar sector of the Eurobond market, which went through another very sharp fall following the rise in U.S. interest rates to record levels in March, has been through one of the fastest rallies in its history. New issues worth more than \$2bn were arranged between April 7 and May 7 while the level of activity in the secondary market was the highest for well over two years.

Not all market participants are convinced that this rally will wipe out the painful memories of last winter. Only the next few months will tell how many investors will not come back to the market.

By contrast, D-market sector has enjoyed a quieter year. On the face of it the volume of new issue activity was down. Coming at the end of a year during which the tribulations of the U.S. dollar have mostly made headlines, the slight contraction on the volume of foreign D-mark bonds issued may appear paradoxical—the para-

dox however, is more apparent than real.

International investors have been buying far more D-mark paper than the figure of \$8.7bn for international D-mark bonds at first suggests. They have been buying Schuldscheine notes, some DM 10bn (\$U.S.\$6bn) of which are estimated to have gone into non-German portfolios last year.

Exact figures are impossible to come by but this figure is believed to represent a 50-100 per cent increase on the previous year.

Liquid

Schuldscheine are roughly equivalent to promissory notes. They are issued by a large number of federal and state agencies of the Federal Republic but only those issued by German banks and which carry a maturity of more than four years and one day can be sold to non-German investors.

Although amounts of notes as small as DM 100,000 can be bought, it is much heavier to trade amounts of over DM 1m and a pro DM \$38.

The size of transaction needed at this level the market is remarkably liquid—restricts the list of acceptable customers. This includes Swiss banks, international organisations, central

banks and some every wealthy individuals.

The D-mark foreign bond sector has enjoyed a good year so far, but the volume of new issues is becoming more erratic to predict as the very sharp rise and then fall in U.S. dollar rates produced an expansion and then a contraction in the demand for D-mark paper.

However, even during the very fast fall in U.S. dollar rates last month, demand for D-mark paper remained strong after yields offered on such paper had been increased at one point to a record 10 per cent.

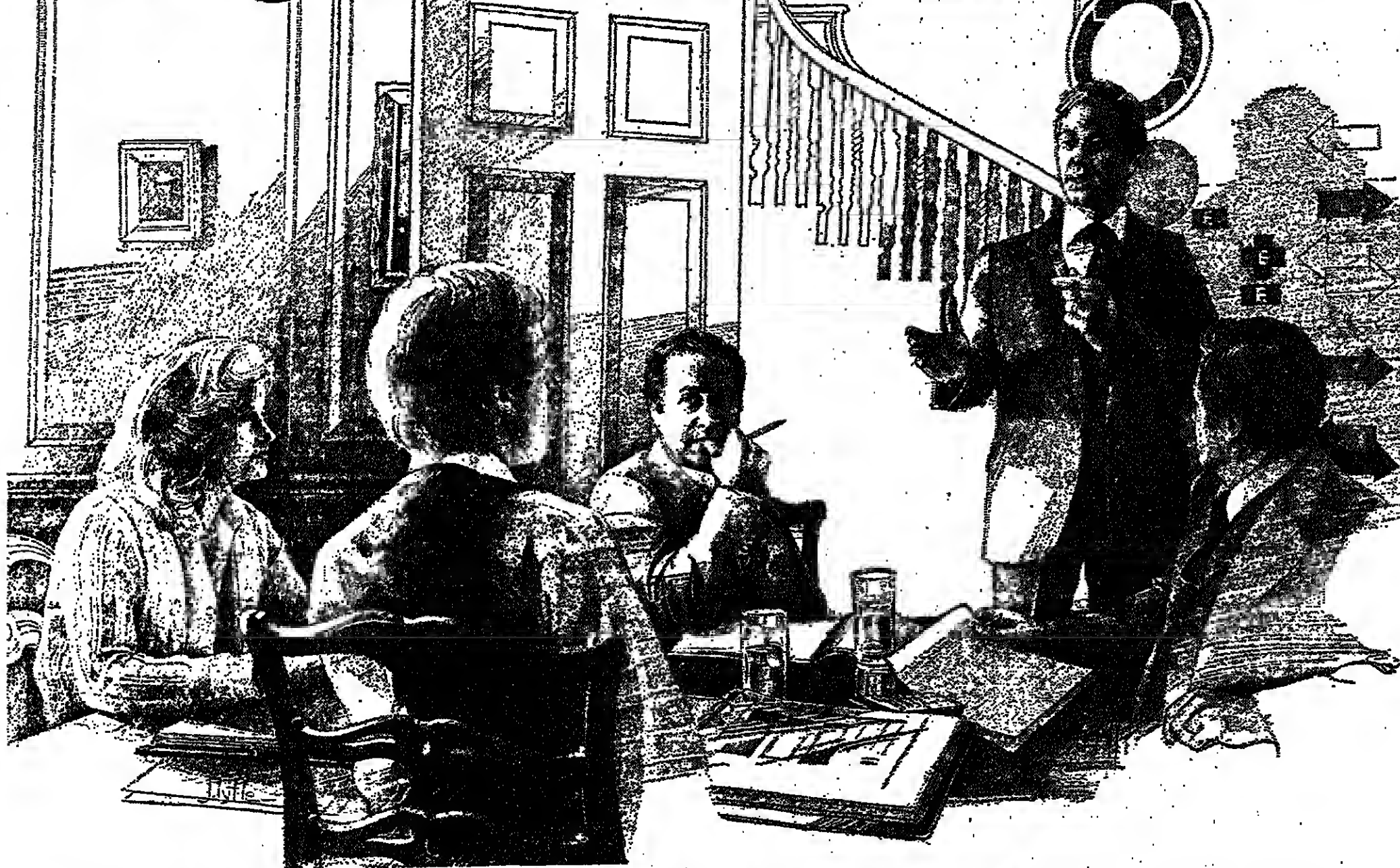
More new D-mark issues were arranged in April than during any month this year, over DM 1.2bn worth.

Convinced that interest rates had peaked everywhere, investors proceeded to move their funds out of time deposits and into longer term paper. This move also benefited the Swiss franc sector which, throughout the past 12-15 months has essentially followed the trend set by the D-mark sector.

Other small sectors—sterling, French franc and guilders, flourished last year while the first ever Norwegian kroner denominated bonds made their appearance.

But, to all intents and purposes, the dollar, D-mark and Swiss franc remain the major issuing currencies.

Some people think Bank of America's experts only work on huge foreign exchange transactions.



Actually, we're also teaching firms how to manage their own transactions.

You don't need to be a giant multinational corporation to profit from our expertise in exposure management.

That's why corporations of all sizes have sent over 500 financial officers to our foreign exchange workshops.

In five intensive days, they learn a unique decision-making process—how to evaluate options and risks; when to shop around for a rate; what services to expect from a bank; and how to differentiate between tactical and strategic foreign exchange and other Investment Management transactions.

At the same time, they learn a clear, concise way of understanding and explaining options and decisions to their managements, clients and banks.

These workshops can be very valuable

to participants. But they're only one way in which we are committed to helping clients manage their resources. In addition to foreign exchange transactions and translation exposure, we also act as consultants on specific projects and provide a wide range of cash management services.

Ask your local account officer for details. It could be the start of a very profitable transaction for you.

Bank of America's International Treasury Service Consultants are available to serve clients in many different ways. For example, they can provide advice on topics such as netting systems, float reduction, direct collections, lock boxes, and other techniques that are possible through our global network of offices.

BANK OF AMERICA



Think what we can do for you.

Calls for money grow apace

SOVEREIGN BORROWERS

PETER MONTAGNON

THE SIZE of the Euromarket exceeded \$1,000bn for the first time in the third quarter of last year. According to the Bank for International Settlements (BIS), gross external assets of banks in the Group of Ten leading industrialised countries together with Austria, Denmark, Ireland and Switzerland and of the branches of U.S. banks in the main offshore centres rose by \$95bn during the quarter to total \$1,042bn.

Compensate with this, the growth in international lending continued apace. The BIS has not yet published figures for the full year, but the Organisation for European Co-operation Development (OECD) calculates that new borrowing in international capital markets rose 15 per cent to \$115bn in 1979. Of this, some \$18bn was accounted for by Eurobonds, \$19bn by foreign issues in domestic markets and \$78bn by medium-term syndicated credits.

As before, a number of borrowers continued to grab the limelight. More than ever this continued to be the case with Brazil, whose borrowings from commercial banks totalled some \$36bn by the end of June last year. At the moment the country's external debt is thought to exceed \$50bn.

According to the country's Planning Minister, Professor Antonio Delfino Netto, Brazil's total external financing requirement this year amounts to some \$12bn. Of this some \$7bn represents debt service requirements and \$5bn new money. Brazil has already decided to draw \$2bn from its reserves this year to help cover the gap, but even so the figures have met with some scepticism on the part of the international banking community.

Brazil got off to a slow start with the borrowing programme, having mandated only two syndicated loans for a total of

\$600m in the first four months of the year. Banks are waiting anxiously to see when and on what terms they will be asked to come up with the rest of the money.

The other largest borrower in Latin America, Mexico, is in a much happier position as a result of the sharp increase in oil prices. Its gross external borrowing requirement appears to have been reduced to some \$9bn this year from the \$11bn expected earlier.

Mexico started off the year by concentrating its borrowing on short-term credits. Typical terms were three years at a margin over Libor of 1 per cent. Recently it has been seeking to engage about \$600m in medium term funding in connection with President Lopez Portillo's State visit to Canada, W. Germany and France. Terms it has asked for — 1 per cent over seven years and a split 1-1 per cent over eight — have, however, met with little enthusiasm from the banks.

Elsewhere in Latin America Argentina continues to get favourable terms despite the succession of banking problems which has plagued the country. Peru's economic situation has turned round sufficiently for it to be able to tap the syndicated credit market again. Venezuela, meanwhile, started in April to negotiate a very large credit of up to \$1.8bn to consolidate its short-term debt.

CONTINUED ON NEXT PAGE



BANK OF KHARTOUM

P.O. BOX 1008

KHARTOUM — SUDAN

Cable: "Foreign Khartoum" Tel: 81071 (5 lines)

Telex Khartoum 244

The oldest bank in the country with 67 years of experience in banking; previously Barclays Bank D.C.O.

Besides the normal services we can assist foreign and local customers to join in benefiting from the enormous investment opportunities available in the country—particularly in Agriculture.

WORLD BANKING VII

Services to generate fees the common aim

THE FEE'S the thing to go for in international banking at the moment.

Fee income is a common aim that unites commercial banks, investment banks, merchant banks and universal banks as different forces push them all towards this goal from different directions.

For the commercial and universal banks the driving force is the steadily increasing competition in the traditional business of taking deposits and lending. Where banks do not have territorial advantage — in large scale Eurocurrency lending for example — the most obvious evidence of this competition is the trend towards spreads which provide a barely sufficient return on capital and make no allowance for loan losses.

Where banks still have territorial supremacy, as the small State bank does in the U.S. and the big clearing banks do in the UK, that supremacy is being eroded. Foreign and money centre banks are competing in the U.S. and the Japanese banks are already feeling the draught from American and Japanese banks in Britain.

Confronted with this squeeze on margins, a combination of depressed stock markets and the indifferent relative ratings accorded to bank shares have made equity finance for banks unattractive. The result is an impasse: banks should be rapidly increasing their balance sheet volume to compensate for the lower margins, but they cannot because there is no way in which they can generate the necessary increase in their capital base.

So the search is on for more "added value" in each bank's activities. This means a trend towards services which have the twin advantage of generating fees and not requiring capital. For this reason "Service banking" has been the catchword of the commercial banks over the past decade.

Pressure

For the investment and merchant banks the increasing emphasis on fee income arises from a decade of pressure on the common denominator of their activities — the securities business.

More exactly, this pressure has driven them from one key source of fee income in search of others.

Both types of banks have tended to act as agent rather than principal in the supply of finance, and have tended to bring together sources and users of finance for a fee or a commission rather than pass the money through their own balance sheets, earning an interest differential.

The point is that the securities market has been a decreasingly vital generator of financing fees in the last decade. In the UK the fixed interest bond market disappeared, as

long term rates of interest reached a level which only the Government was willing to pay. The depressed state of the stock market has not encouraged corporate treasurers to raise equity finance. British industry has become increasingly bank debt oriented.

In the U.S. the pressures on the investment banking community have been even greater. They have resulted in a wave of security houses, amalgamations on Wall Street and in the disappearance of many prestigious names of the 1960s.

This has occurred because, unlike British merchant banks, many U.S. investment banks are also stockbrokers, deprived five years ago of a substantial part of their commission income.

The conspicuous profits made by Wall Street investment banks during the stock market boom of the late 1960s prompted

eager to place them with customers for a distribution fee. Meanwhile both classes of U.S. security houses were, and still are, protected from the big U.S. commercial banks by the Glass-Steagall Act of 1933 which barred commercial banks from issuing securities.

The stock market boom increased the financial firepower of big brokerage houses and increased the variety of securities which the investing public was willing to buy, weakening the controlling position of the listing houses.

Then, when the stock market went into the doldrums, the placing power of the brokerage houses became a vital ingredient for successful underwriting where previously the end-sale to the investor was taken for granted.

It was this combination of forces which allowed Merrill Lynch to emerge as the most

preserve daily contact with those institutions and keep closely abreast of market conditions.

It is notable how many U.S. banks — both investment and commercial because the latter are not so hampered by the Glass-Steagall Act — have invested in trading ability in the last three years as a way of achieving greater success in the new issue market.

Unfortunately an unremitting bear market in dollar bonds has shown them what an expensive investment this can be. Some, like AmeriBank and Kuhn, Loeb Lehman, have decided that the end does not justify the means.

Though the securities issuing business both in the U.S. and abroad continues to be lucrative, the uncertainty in the financial markets over the future course of inflation and interest rates has led to a preponderance of bank financing over security issues.

Recent events in the U.S. have, indeed, suggested that the U.S. long term bond market could be drying up in the same way that the British market did. This relative decline of the bond market, coupled with pressure on fees because of increased competition, has prompted investment banks to look for other areas where they can be of service.

Merger and acquisition business is one obvious area which has been extremely profitable of late. A successfully negotiated takeover of a large corporation can earn an investment or merchant bank a fee of several million dollars.

Financial consultancy is another growth area. Business has become increasingly multinational. At the same time the currency system has become more unstable and complex with floating exchange rates, fast moving rates of interest, and a bewildering number of sources and methods of finance.

The overall result has been to increase the financial element in business risk enormously and with it the need for financial consultancy. It is a

need which the investment bank, with its small size, beguilingly prosperous looking executives and expensive consulting rooms, is well positioned to meet.

Investment/merchant banks are increasingly becoming the McKinsey's of finance. They hold the hand of the corporate treasurer. They conceive intricate financing for large projects. They advise nations how to borrow money from other bankers.

For a long period after the Second World War investment and merchant banks were protected from competition from commercial banks by custom or by law. Broadly speaking they did not chase each other's business. This no longer applies.

Service

As I suggested at the start, all forms of banks are today after fee income. The service invented by the merchant bank today becomes part of the commercial or universal bank's business tomorrow. Merchant banks developed the international bond market; today they have their work cut out to play a major part in it. Investment banks invented the syndicated loan; today commercial banks would rather syndicate their loans themselves.

The commercial and universal banks are themselves well equipped to provide financial advice. The development of the term loan during the 1930s depression in the U.S. forced banks to become expert in the industrial sectors to which they were lending. Today such in-house expertise is more widespread than ever.

The future for investment/merchant banks is assured only by the fact that in any great industry there is always opportunity and profit to be made by small groups of people with style, intelligence, imagination, and the right personal contacts. There is nothing else to ensure that such banks have an ineliminable role in the business of finance.

INVESTMENT BANKING

NICHOLAS COLCHESTER

the introduction of negotiated rather than fixed commissions for stockbrokers in New York. Fatefully, the brisk wind of competitive pricing was unleashed on the industry in May, 1975, when the golden stock market days were well over.

The combination of negotiated commissions and depressed trading volume was the most important reason why some 350 U.S. brokerage houses and investment banks went out of business during the decade.

The pressure was also visible in the revenue mix of the New York security houses. In the mid-1960s over 80 per cent of their income came from brokerage commissions. At the end of the 1970s this proportion was down to around 40 per cent.

It was this boom and bust in the brokerage business which brought pressure to bear on the traditionally lucrative and well-protected business of issuing and underwriting securities in the U.S. — the classic business of "investment banking."

Until the late 'sixties boom the august issuing houses — names like Moreau Stanley and First Boston — had managed to maintain a tight hold on the business of issuing the best class of corporate securities. Through the closely defined pecking order of the syndicate system they had kept brokerage-orientated houses like Bache or Paine Webber in check in their efforts to act directly for the issuing companies.

The issuing houses controlled the allocation of high-grade securities to brokerage houses

formidable brokerage and issuing house in the U.S. To this day Merrill Lynch advertises itself to the corporate treasurer as the house which can shift a big issue of his securities into an unfriendly market.

The perceived necessity of combining "client power" with "placing power" has conditioned much investment banking strategy in recent years.

It was a formula exploited successfully in the link between White Weld and Credit Suisse in the international bond market. This liaison coupled the massive investment portfolios of the Swiss bank with the traditional corporate relationships of White Weld in the U.S.

The German banks, spanning the investment banking, fund management, and stockbroking businesses, were in a natural position to make a strong showing in the international bond market.

To those issuing houses without natural "base demand" for new issues the strategy has been to cultivate assiduously a small number of powerful investing institutions. To this end such houses have invested in the capacity to trade in securities — "market making" as it is known in the Eurobond market, or "block trading" in New York.

Through this willingness to engage as principal in the secondary market for securities, issuing houses offer a sort of "after sales service" to institutions which they wish to place new issues. They also

Borrowers

CONTINUED FROM PREVIOUS PAGE

Another part of the world, that has come under increasing scrutiny is Eastern Europe, where banks have become much more reserved since the deterioration in U.S.-Soviet relations following the crisis in Afghanistan and Iran.

Even so, Hungary was able to raise a \$250m seven-year credit with a spread of 1 per cent over Libor or a split margin of 1-1/2 per cent earlier this year. Hungary is expected to borrow some \$500m to \$600m abroad this year, much less than the \$1bn it raised in 1979. It should have little difficulty in carrying out this programme.

Poland by contrast is in a much more difficult position. Its total debt servicing requirement is put at about \$8bn this year and it is in the early stages of negotiating a jumbo credit of about \$500m from Western banks.

For the banks the problem with Poland is not only one of limits on lending to an East European country; they are also deeply sceptical of the information provided by the Polish Government. What they would like to see is more substance behind the figures, particularly where export targets are concerned. There is some doubt also about whether Poland really had managed by late April to arrange about three quarters of this year's external borrowing requirement which is put by the Poles at some \$5bn.

At the same time Poland's debt service ratio is causing concern. It amounts to over 70 per cent of the projected hard currency income from export of goods and services.

In Western Europe a new borrower has emerged over the past year. Belgium raised a \$1bn credit late last year and a further \$1.2bn this spring. This strategy reflects the problems Belgium has faced in funding its budget deficit on the domestic capital market. If the market does not show some signs of improvement Belgium's total external borrowing requirement this year could be somewhere in the order of \$2.5bn. The transactions completed so far show that it is a very highly-rated borrower, able to obtain funds at a split margin of 1-1/2.

Low margins are also the order of the day in Scandinavia where Finland set the pace in February with a \$150m eight-year credit by its central bank. Terms were also 1-1/2 over Libor. This encouraged Denmark to go for a spread of only 1 per cent in its \$250m credit arranged on a club basis under the co-ordination of Privatbanken. The terms were considered exceptionally fine in view

of the country's economic problems.

Another large Scandinavian borrower, Sweden, has preferred to concentrate on the fixed rate market to satisfy its needs so far this year. The amount raised in this way exceeds \$1bn. The country's foreign borrowing requirements are put at some \$7bn this year.

There have been signs of rising spreads in Southern Europe, particularly in the case of Spain where a spate of credits by utility companies caused spreads to leapfrog early in the year. Even so, the State railway concern Renfe was able to arrange a \$180m eight-year credit through Germany's Westdeutsche Landesbank at a spread of 1 per cent throughout. This puts it on roughly the same footing as Greece, which chose the same margin for a \$550m eight-year credit by its central bank. This compares with a margin of 1 per cent over ten years obtained by the same borrower last November.

In Asia, Korea resumed borrowing in February for the first time since the assassination of President Park Chung Hee. The loan was an eight-year \$500m credit with a split margin of 1-1/2, terms which have set the pattern for subsequent borrowings. South Korea's indebtedness to commercial banks in mid-1979 amounted to some \$9.4bn according to the Bank for International Settlements. The borrowing requirement for 1980 exceeds \$2bn.

Linked

The Philippines, meanwhile, has been put off large-scale Eurocurrency borrowing in recent months by the high level of interest rates. Its Finance Minister, Mr. Cesar Virata, said in London last March that the country has only \$300m more to raise in international markets this year.

A newcomer to the syndicated credit market is China, which raised a \$300m five-year "club" credit through a group of Arab banks. The credit, signed in February, bears a margin of 1 per cent over Libor.

In Africa a number of recent deals have been noted for Nigeria. The operations are basically linked to projects and typical terms provide for a split margin of 1-1/2 per cent over an eight-year period. Elsewhere Zaire has recently rescheduled about \$400m in uninsured syndicated credit from commercial banks. The conditions provided for a rescheduling over ten years at a split spread of 1-3/4 per cent. There is a five-year grace period.



du banque française
commerce extérieur

Head Office:

21, Bld. Haussmann - 75009 PARIS

IN FRANCE

Branches in the Paris suburbs

"CERGY" PONTOISE—CRETEIL—
"LA DEFENSE" PUTEAUX—
"PARIS-NORD" LE BLANC—MÉSIL—
RUEIL-MALMAISON—
SAINT-QUENTIN-EN-YVELINES—
"VELIZY" VILLACOUBLAY.

Provincial Branches

BAYONNE—BORDEAUX—DIJON—
GRENOBLE—LE HAVRE—LILLE—
LIMOGES—LYON—MARSEILLE—
NANCY—NANTES—ROUBAIX—
ROUEN—STRASBOURG—TOULOUSE.

FOREIGN COUNTRIES

BRANCH

NEW YORK

Olympic Tower

645 Fifth Avenue, N.Y. 10022.

Representative Offices

ABIDJAN—BANGKOK—CARACAS—
JAKARTA—KUALA LUMPUR—MELBOURNE—
NEW YORK—SAO PAULO—TEHRAN.

Commercial Delegates

ARGENTINA—CHINA—COLOMBIA—GREECE—
MEXICO—NIGERIA—PHILIPPINES—
SOUTH AFRICA—SOUTH KOREA.



Union Méditerranéenne de Banques
اتحاد حوض المتوسط للمصارف

A Franco Algerian Bank with capital of 80 million French Francs held by:

Banque Nationale d'Algérie, Crédit Populaire d'Algérie, Banque
Nationale de Paris, Crédit Lyonnais, Société Générale, Banque de
Paris et des Pays Bas, Crédit Commercial de France, Crédit Indus-
trial et Commercial.

AN EFFECTIVE LINK BETWEEN TWO WORLDS

- Financing of company investments and all types of import-export transactions.
- Participation in international loans.
- In depth experience of the exchange market both in the area of deposits and that of arbitrage.
- Assistance of companies seeking to enter foreign markets.

Head Office:

50, rue de Lisbonne - 75008 PARIS
Tél.: 766 52 84 - Télex: 660 213
B. P. n° 181-08 - 75363 PARIS CEDEX 08

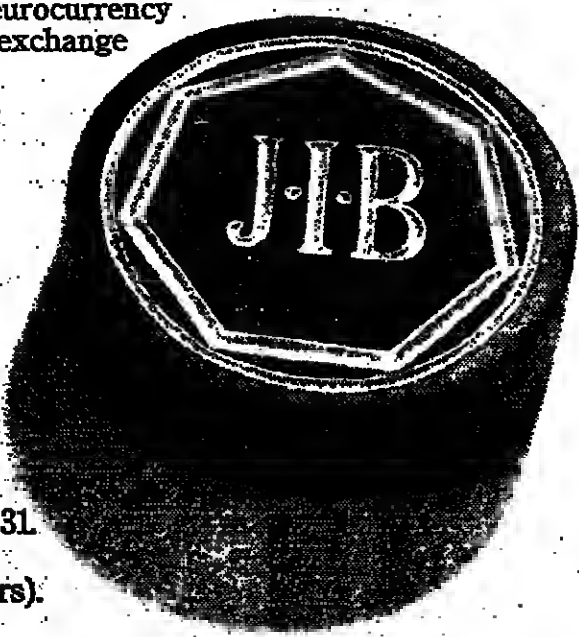
Japan International Bank Limited

An international consortium bank supported by a group of leading Japanese Banks and Securities Companies, providing short, medium and long term credit throughout the world. Services include leasing transactions, securities business, eurocurrency deposits and foreign exchange dealing.

Shareholders:
Fuji Bank
Mitsubishi Bank
Sumitomo Bank
Tokai Bank
Daiwa Securities
Nikko Securities
Yamaichi Securities

7/8 King Street,
London EC2V 8DX.
Telephone: 01-600 0931.
Telex: 887853.
887855 (Dealers).

For further information about ways in which you can benefit through us from the experience and technique of our shareholders, please contact Mr. Ozumi.



We can help you
operate more profitably
in the Italian market...

as we have the right size and experience to handle all your banking needs with the promptness, accuracy and personal attention so important in today's business world

Banco di Sicilia

Head Office in Palermo

International Banking Division in Rome, via del Corso 271

292 branches throughout Italy

Branch in New York

London Representative Office:

P & O. Building - Leadenhall Street

London EC3V 4QQ Tel. 01-626 2268/9

Other representative offices in:

Abu Dhabi, Brussels, Budapest, Copenhagen,
Frankfurt/Main, Paris, Zurich

Amsterdam Depository
Company N.V.

adC

Amsterdam Depository Company N.V. ('ADC') was founded in 1971 by Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V., Bank Mees & Hops NV and Pierson, Hidding & Pierson N.V., each of which holds a 25% participation in the share capital of ADC. The management of ADC is in the hands of Kas-Associatie N.V., Spuistraat 172, Amsterdam.

CDRs are issued under the terms of Deposit Agreements made between ADC and the Company. In each case, a Custodian bank is appointed in the country of incorporation of the Company concerned, and Agents of ADC are sometimes appointed in financial centres outside The Netherlands.

Presently the shares of 55 Companies are listed on the Amsterdam and/or Luxembourg Stock Exchanges in the form of CDRs, i.e.:

- 15 British companies
- 30 Japanese companies
- 9 United States companies
- 1 Canadian company

cdR

Continental Depository Receipts are the binding link between the Home Market and European Stock Markets

Introducing the "hard" eighties.

Credito Commerciale
"Personal attention makes us different".

NET PROFIT:
5,508 million lire (4,897 million lire in 1978) of which 2 billion lire were allocated to shareholders and 3,450 million lire to ordinary reserve.

DIVIDEND:
200 lire per share (180 lire in 1978).

DEPOSITS:
2,200 billion lire, of which 1,864 billion lire were customers' deposits.

INVESTMENTS:
1,300 billion lire, of which 850 billion lire for customers.

SECURITIES PORTFOLIO:
673 billion lire, with an employment index of 2,33 and profits of 13,152 million lire, including the trading with customers.

ACTIVITIES:
the activity of Foreign Department was considerably increased (+29% in foreign currencies; +70% for loans in foreign currencies; +38% import-export forms); dealing activity in securities was also increased (securities in administration were 650 billion lire).

"POOL" OPERATIONS:
38 operations in lire and 16 in foreign currencies-16 loans as agent and disbursing bank.

CUSTOMERS' LIABILITIES:
the liabilities were increased to 178 billion lire; banker's acceptance service has been very active also on secondary market.

STAFF:
the number of people employed is 1,763 with an increase of 8,69% compared with 1978.

MAJORITY SHAREHOLDER:
the Monte dei Paschi di Siena Group, as at 31.12.79, had in administration customers' deposits for more than 16,000 billion lire.

Chairman: Mr. Cesare Panizza

Vice Chairman: Mr. Edoardo Cattellani

General Manager: Mr. Giuseppe Lazzaroni

SOME MEANINGFUL FIGURES OF BALANCE SHEET AS AT 31.12.79:

(in billion lire)

DEPOSITS

• customers' deposits 1,864

• banks' deposits 302

ASSETS

• loans to customers 862

• due from banks at sight 216

• funds on deposit with Banca d'Italia for required reserves 273

SHARE CAPITAL AND RESERVES 77

CREDITO COMMERCIALE
Old tradition, modern banking.



ajb

Associated Japanese Bank (International) Limited

Providing a full range of

Short, Medium and Long Term Credits
Eurocurrency Deposit and Foreign Exchange Dealing
Underwriting and Distribution of Securities

AJB is an international consortium bank of leading Japanese banks and investment banking house.

Shareholders

The Sanwa Bank Limited
The Mitsubishi Bank Limited
The Dai-ichi Kangyo Bank Limited
The Nomura Securities Co., Ltd.

29-30 Cornhill, London EC3V 3QA
Telephone: 01-623 5661 Telex: 883661

WORLD BANKING VIII

Recovery of confidence

SHIPPING FINANCE

WILLIAM HALL

Gulf and Europe have risen from \$12 per tonne to \$19 per tonne over the last year. In the oil trades the improvement in rates has been even more impressive. The rate for the standard voyage between America's Hampton Roads and Japan has doubled over the last 12 months to \$28 per tonne.

The upturn in dry cargo freight rates has had a tremendous impact on second-hand ship values. In 1978, for example, five-year-old 50,000 dwt bulk carriers were changing hands at \$4.5m and 10-year-old bulkers were being sold for \$2.6m. Today, the current second-hand prices for five- and 10-year-old bulkers are \$17m and \$12m each.

The jump in second-hand values has swelled the security of shipping companies and meant that they are now in a position to gear up with bank finance and buy either new or second-hand vessels.

Depressed

At the moment the dry cargo markets are providing reasonable rates of return and shipowners should be able to put finance together without too much trouble. But the picture is not so bright in the tanker market where rates for Very Large Crude Carriers (VLCCs) have been depressed for many months and look likely to remain depressed until the mid-1980s. The combination of a tremendous surplus in tonnage plus a downturn in demand for oil has meant that many of the world's super tankers are not breaking even at current freight rate levels.

Among the smaller sizes of tankers, such as the 80,000 tonners, the demand picture is much healthier. The considerable increase in oil trading because of the fragmentation of the oil markets has given much greater scope for smaller and more entrepreneurial operators, many of whom use the smaller tankers because they are more flexible.

It is against this background of a sharp improvement in both dry cargo freight rates and second-hand ship values that the world's bankers are being tempted back into the shipping finance market.

So far the upturn in the market has not led to a speculative ordering binge and though there is still considerable overcapacity in the world's shipyards, bankers are hoping that the current climate will not spawn another shipping slump.

The sums of money involved in the shipping industry are huge. Oceanic Finance, a specialist ship financing company, recently estimated that \$120bn was spent on new ships between 1970 and 1978 and an average \$15bn per annum will be spent in the early 1980s.

On top of this sum, considerable amounts will be spent on second-hand ships. Lambert Brothers, Hill Samuel's shipbroking arm, recently estimated that just over \$7bn was invested in second-hand tonnage in 1979. At a conservative estimate, at least \$5bn per annum will have to be spent on second-hand ships during the early 1980s taking the total annual investment in ships to \$20bn plus.

Ships are bulky investments. A second-hand VLCC, for example, costs close to \$30m, and a new 120,000 dwt bulk carrier costs \$25m. Sophisticated liquidated natural gas carriers cost even more.

Very few owners are financially strong enough to buy ships outright and most of them have to rely heavily on bank finance.

With new ship orders, owners have recourse to very substantial amounts of cheap fixed rate finance—normally up to 80 per cent of the ship's value. The rest of the finance is usually provided by the shipowners themselves or by a eurocurrency loan.

With second-hand ships the problem of finance is less straightforward. For a start there are no state shipbuilding credits and the finance has to be provided either by the shipowner or the banks.

Given their recent experiences the latter are looking for considerable security, and long term charters which should cover the interest and debt repayments during the life of the loan.

One of the main problems now facing shipowners is the shortage of fixed rate finance for second-hand ship purchases. High rates of inflation in places like America and the UK have made financiers wary of providing fixed rate debt.

Allowances

With new ships, the banks and other financial institutions are happy to offer leasing deals since they can take advantage of the tax allowances on new capital investment. However, such allowances are not available on second-hand ships.

In the past, a few shipping companies have managed to tap the eurobond market for fixed rate finance but this has been the exception rather than the rule. Most have had to rely on the banks for finance and there are grounds for believing that the strain is beginning to tell.

Considerable efforts are being made to find new sources of finance for shipping companies to supplement the traditional reliance on bank finance. Ships have lives of up to 20 years and ideally shipping companies would like to finance their vessels for similar periods.

The banks can provide funds for up to 10 and possibly 11 years at a pinch but even so this is not long enough for some shipping companies. One solution would be to attract the long-term pension funds and insurance companies into the field of shipping investment.

They already earmark substantial sums for property since it offers long-term capital appreciation and a similar sort of case could be argued for ships. With inflation running at double figures the newbuilding costs of ships are doubling every five years. Although the market is far from perfect, second-hand ship values should roughly keep pace with inflation.

Another solution to reduce the dependence on the commercial banks would be to set up specialist ship financing agencies similar to those found in Germany and Sweden.

Finally, private investors could be encouraged to invest in ships by altering the tax laws. In Scandinavia, for instance, individual investors have for a long time been important providers of capital for ships.

Total cost demands special terms

PROJECT FINANCE

JEFFREY BROWN

THERE IS a growing belief among bankers that demand for project finance is rising.

High interest rates and the recessionary forces gathering over the world economy are keeping the pace in check. But the trend remains upwards as the capital needs associated with new commercial investment continue to grow dramatically.

Merchant and investment bankers make no bones about the inflationary pressures. Economies of scale are increasing and technological change is rapid. But sheer cost has now risen to the point where many new investment undertakings are beyond the means of traditional direct financing.

Project finance is one of these conveniently broad labels which cover a wide field of financing services. One prominent U.S. investment bank sees it as financing which project sponsors choose to segregate from the assets and general purpose obligations of their business.

In other words, project finance steps in where conventional financing, through balance sheets and credit ratings, is made redundant by size and risk.

Sponsors

This is the purist's view, however. The term project finance tends to mean different things to different people, and there is a sizeable gulf between the extremes of definition. Some banks will apply the term to any large contract. Others are more precise, linking credit support with both sponsors and beneficiaries of a given project.

But whatever the definition the stakes are invariably high. Over the past decade any number of investment organisations have clambered aboard what has at times seemed a considerable bandwagon. Single project loan requirements often extend into the billions of pounds price range and competition for a slice of the action is fierce.

The major competing forces in terms of banks form three fairly neat camps, international commercial banks, merchant banks and investment banks which are mostly American.

The international commercial banks tend to be the quickest off the mark. Their integrated world-wide branch networks and vast armies of agents in the field allow them a head start when it comes to learning of potential business and developing lines of communication.

Only a handful of U.S. commercial banks and a similar number of European institutions have shown an ability to render fully fledged project finance services. But once a project has been structured the bank involved in the initial "financial engineering" can take its choice of commercial banks prepared to put up loans in a variety of currencies.

And traditional banking practices of requiring loans to be backed by the security of long term charters were often conveniently overlooked. A tanker could pay for itself with two round trips to the Arabian Gulf, so who could lose?

When the shipping market collapsed, after the sharp rise in oil prices in the mid-1970s, bankers ran for cover. Interest payments on shipping loans started to dry up. Banks were forced to roll up interest payments into additional loans and some shipowners even defaulted.

Fortunately, most banks were nowhere near as heavily involved in shipping finance as they were in the property market. Most ships are built with the help of subsidised State shipyard credits, so the full brunt of the fall in ship values was felt by the various State credit agencies.

Even so, many banks got their fingers burnt on shipping loans and many shipping finance departments quietly stopped lending money for new ships.

Over the last year to 18 months, however, banks have begun to reappear in the shipping market. Some, such as Citibank, Chase Manhattan and National Westminster, never stopped lending money for ships during the recession. But the nucleus of professional shipping bankers is once again being swelled by newcomers eager to find profitable new business.

The surge of interest in financing shipping is not hard to explain. With spreads in the euromarkets for prime credits still hovering below half a per cent above London interbank offered rate (LIBOR), bankers can earn 1½ per cent above LIBOR on shipping loans. Maturities of seven years are no longer than those typically found in the euromarkets.

In addition, the shipping climate has recovered smartly, especially in the dry cargo markets. In the Atlantic grain trades, for example, rates for 55,000 tonners sailing between the U.S.

The merchant banks, like the investment banks, have had to focus their efforts on a more specialised project finance service in order to compete effectively with the commercial banks. Without the financial backing to act as leaders, the merchant banks are having to develop more fully their role as advisers and agents.

The merchant banks in the UK have carved out a niche for themselves in the area of export credits, thanks partly to their links with an active state-backed export credit guarantee organisation, the ECOD. More recently they have begun to move into international export credit bidding, taking strength from their historic presence and strong links with Commonwealth nations.

But perhaps the most specialised of all operators are the U.S. investment banks which in recent years have concentrated their efforts more closely on joint ventures capable of being at least partly financed through the U.S. capital markets. Many have developed into specific areas, notably mining, iron and steel, oil and gas and other energy related industries which have come to rely heavily on project type financing.

There are a number of other institutions in the field. Some construction and engineering companies offer a project finance service, largely as an adjunct to selling their basic engineering services. Some consortium banks are taking a hard look at project finance. And a number of multilateral agencies have shown signs of exploring ways of packaging their financial involvement in this way.

Among the major U.S. investment banks, First Boston was one of the first in the field. Its Project Finance Group, which claims to be the largest and most experienced in the investment banking industry, is currently engaged in projects which have aggregate capital requirements of more than \$20bn.

The bank starts with a feasibility study to determine the viability of the project. A financial analysis of the concerns of potential lenders is run through a computer model.

First Boston advises both public and private sector sponsors. To satisfy diverse legal, tax and accounting considerations it has to be careful in its choice of partners. It is to preserve an efficient flow of financing. At First Boston this matching of demand with supply is helped

BANCO DI NAPOLI

BANK INCORPORATED UNDER PUBLIC LAW
Capital Funds and reserves
Lit. 299,516,372,884
Head Office in Naples

Representative Office of the General Management in Rome

500 Branches in Italy

Branches abroad Buenos Aires • New York

Representative Offices abroad:

Brussels • Frankfurt/Main • London • Moscow
New York • Paris • Tokyo (through A.J.C.I.-Holding S.A.) • Zurich

Representative for Bulgaria: VITOCHA-Sofia

Banking Associated Companies abroad:

• A.J.C.I.-Holding S.A.—Luxembourg
• Italian International Bank Limited, London
• Italian International Bank (Channel Islands) Ltd., Guernsey

• Luxembourg Italian Bank, Luxembourg

• Euramerica International Bank Ltd., Nassau

• Atlantic International Bank Ltd., London

• Banque de Commerce et de Placements S.A.—Geneva

Correspondents throughout the world

Since Arab Banks are turning international you should turn to an international banking Yearbook

ARABANKS

a basic reference work internationally praised which includes 450 pages of over 900 Entries and gives detailed data and figures on

★ banks, branches, regional and representative offices in the 21 Arab states,
★ banks with Arab shareholders, Arab bank branches and representative offices in 44 other countries.

Edited and Published by Edires France S.A.
16, Avenue Victor Hugo • 75116 Paris FRANCE
Tel: 825 5570 Telex: 840252 F

Please send me copy(ies) of ARABANKS 1980 at FF 475 each copy including packing and air airmail postage
Mr./Mrs. Title
Company
Address
Signed

WORLD BANKING IX

Multinational Corporations and their needs

Aiming to optimise customer service

IF THE treasurers of multinational corporations are not exactly laughing all the way to the bank, at least part of the reason may be that the banks are more willing to come to them.

International corporate banking is a competitive business, the more so with the increasing sophistication of corporate treasurers over the last decade, who can determine their banking requirements and then see anything from three to a dozen major banks competing to provide the service.

Few multinationals choose a bank for sentimental reasons. "There is no cosy relationship with any one bank nowadays," says National Westminster Bank International division general manager Mr. F. G. Bennie. "There is no reason why we should suppose that because we have an historic relationship that business should come our way."

Elegant

Bank marketing is a fine and aggressive art. Few annual reports contain so elegant an element of hard sell in the review of the year's activities as those of the international banks.

The implication should not be seen as pejorative: the banks have proved themselves willing and capable in adapting their structures to optimise customer service.

But the name of the game is foresight: to anticipate areas in which actual or potential clients will need finance, and what kind they are likely to choose; to follow industrial trends at a more fundamental level, and allocate resources appropriately; and to offer an organisational structure which interlocks attractively with the corporate client's image of its own developing structure.

Perhaps the major trend in the structure of international corporate banking over the last 10 years, recognised to have been developed by the major American banks, has been in relationships with clients. Instead of a "girl in every port" system, where the needs of a multinational corporation are met in different countries by separate regional

units of the same bank, the trend has been for banks to establish "account executive teams" assigned to identified clients, who mediate all contact and co-ordinate all services. Such a system was adopted last year by U.S.-based Bankers Trust. It established a world corporate department "to enhance the bank's ability to serve multinational corporations on a global basis. A Trust spokesman said: "Formerly, the customer was visited by several different people with different specialities, which could be a bit wasteful of the customer's time."

Under the new system, the bank's relationship with the multinational corporation is the responsibility of a "relationship manager" headquartered alongside the client.

Account officers are attached to major client operating units, reporting back to the relationship manager.

"We try to take a look at where decisions are made in the customer grouping, and devolve our responsibilities to what the customer's needs are," says the spokesman.

In the case of, say, the Ford Motor Corporation, a relationship manager would be in the U.S. But with major European decisions made in the UK, the London account officer would have a proportionately high share of responsibility, under the supervision of the relationship manager.

One of the most sophisticated self-analysers among international banks is Citicorp. Its world corporation group was established in 1973, to give corporations a "global perspective in financial services." This year sees a further reorganisation involving what it calls "core business consolidation."

Here, the interesting trend is towards a re-integration of corporate services. Citicorp served a particular corporate client through one banking unit until that company matured to a certain size, or added overseas operations, or directed its foreign subsidiaries, or otherwise re-structured itself.

"At that point our client might be reassigned to a different banking unit where it more closely fits our compartmental structure. Despite our efforts

to maintain continuity or service during such reassignments, some inconveniences occurred," says the bank.

What were formerly Citicorp's world corporation group, international banking group, and national banking group has been integrated into the institutional banking division, which will "serve all corporate customers on a consolidated basis" in the 1980s.

Globalisation has been accepted to a varying degree by the international arms of the British Clearers, with a pragmatic approach and a recognition that much of the banking expertise and authority remains centred in London. Interestingly, though, Barclays is considering substantial restructuring of its international corporate banking operations. The bank is not discussing the possible outcome, but it seems a reasonable

INTERNATIONAL BANKS

ROBERT COTTERELL

surmise that one likely road would be for Barclays to formalise a globally-orientated structure. The first fruits of current discussions could be seen by the summer.

Midland Bank said: "We look first at the structure of the multinational, and how centralised, with all the decisions taken in New York, we may ultimately decide that the account executive should be in New York," says Mr. David Hanson, regional director at the Midland's international division. Lloyds Bank International is based on "geographical divi-

sions with service departments, outstandingly the merchant banking division.

"We have a well developed internal information system, and executives responsible for major identified customers. The account officers co-ordinate the business of the bank worldwide with a view to avoiding conflicts of interest," says an LBI spokesman.

A third organising principle, beyond regional and global stratification, is taking root in the shape of industry-related units. The growth of the offshore oil industry helped to

develop this approach, with the banks needing specialised knowledge where limited recourse financing was sought for speculative but potentially highly lucrative projects.

The Midland has teams specialising in oil and energy, aerospace, and shipping finance.

Chase Manhattan is building up its specialist teams to cover ultimately about a dozen industries. But industry structuring is likely to be valuable in only a few, relatively specialised areas, such as those already chosen by the Midland, argues Mr. Hanson.

"I haven't yet seen the need for specialist expertise in all industries. You shouldn't have to get immersed in the running of a business to understand it," he says.

It remains to be seen whether, with the ability of corporate treasurers to play off one bank against another, and switch on

a daily or even hourly basis, banks will have to become known for a particular "job" or a particular industry, where one will have a dominant position while at the same time seeing other areas of its services eroded.

This is "department store banking, where everybody seeks to provide anything and everything must reach a point where certain departments are not serving any purpose either in the general relationship or on the bottom line, and you may as well close it down. The banks will probably do that," says one English clearer.

The Midland takes a more bullish view. "The cake's pretty large," says international division assistant general manager, Mr. J. Christopher Wathen.

The area of service development now occupying both banks and corporate treasurers is that of speedier international cash

management. With interest rates recently at historic highs, minds are concentrated even more strongly on getting money in and out of the right place quickly.

While both sides see the value of cash management, there is a feeling in London at least that in credit matters banks have recently begun to hold their own once more against corporate demands for longer loans on ever-finer rates.

Loan maturities have in the last few years crept forward from a typical maximum of seven towards ten and 12 years.

After the winter months, months of political upheaval, the banks are rolling back loan maturities, while at the same time demonstrating an increasing reluctance to grant to subsidiaries of multi-national companies the kinds of fine terms which the parent company might expect.

Car giant able to call the tune

VOLKSWAGEN

KEVIN DONE

early 1970s.

"In 1973-74 I needed money from people, but now I must have banks where I can deposit," he says. "You can borrow from anyone, but you must look at the quality before you give someone money. I want to sleep peacefully and I need to be 100 per cent sure that I can get the money back."

In general Volkswagen does not concentrate its banking contacts on one or two "house banks," but is open to any offer of services, basing its decisions on the conditions.

For the mass of its regular daily business, however, VW clearly has a set of much more fixed relationships reflecting the investments its banks must make to meet the production demands. It uses local banks

for the mass of daily payments, cash business, documents and wages payments to the workforce.

With its major German works at Wolfsburg in Lower Saxony, only a few miles from the border with East Germany, VW inevitably has particularly close links with the local and regional banks in North-East Germany. The company has 15 account connections for this regular daily business, but only about 8 might play any important role.

For a concern with annual sales of more than DM 30bn and a world-wide workforce of around 240,000, the sheer volume of daily money transactions is impressive, ranging from DM 0.5bn to DM 2bn every day in the D-Mark area alone. VW also works with many

foreign banks which have branches in the Federal Republic and makes no fundamental distinction between domestic and foreign partners. It does try to follow regional priorities, but says it depends on the conditions.

On the international front VW is in the middle of an ambitious overseas expansion programme centred on important acquisitions in South America, plans for a second plant in the U.S., and the entirely new field of office computer technology.

Domestic

The group's financial policy is steered from the centre in Wolfsburg, "but within the realm of possibilities we try to have our bank activities in the place where we have our bank activities in the place where we have our business, in other words with domestic banks," says Herr Borchert.

VW will resort to other markets only when finance is not available locally.

Foreign subsidiaries are sup-

posed to use local banking services even where these are more expensive, because the company argues that any move into the international money markets carries heavy exchange risks.

In Brazil, VW's use of local banks is also a way of helping local dealers in their own banking relationships.

Major foreign investment decisions are made in Wolfsburg, and in 1977 VW founded Volkswagen International N.V. Amsterdam and Volkswagen Overseas Finance in Curaçao, the Dutch Antilles to add flexibility in the financing and holding of share interests in other foreign companies.

Such are VW's meagre outside financing needs that its last resort to the bond market was three years ago with a \$150m issue managed by Deutsche Bank, Schweizerische Bankgesellschaft and the Union Bank of Switzerland.

Despite the rapid expansion of the German banks overseas in the last decade Volkswagen still favours local banks in foreign markets, although Ger-

We're the biggest unknown bank on four continents and in eleven major financial centers

Let's face it: not only is Pierson rather anonymous at home, we're also relatively obscure abroad, despite a history of successful merchant and commercial banking in Holland and internationally.

In the 1880's, for example, Pierson was already the leading house for listing North American securities on the Amsterdam Stock Exchange. And we have been active on the international capital markets; in global portfolio management; in international mergers, acquisitions and new issues for over a century.

In the last decade Pierson's international commercial activities have expanded. Our Hong Kong branch together with Curaçao and Amsterdam form an interesting financial triangle.

Another facet of Pierson's international expertise is corporate and private trust. For 25 years our Curaçao bank has specialized in helping clients internationalize. Other trust offices are in Luxembourg, Zurich, Bermuda, Guernsey and Holland.

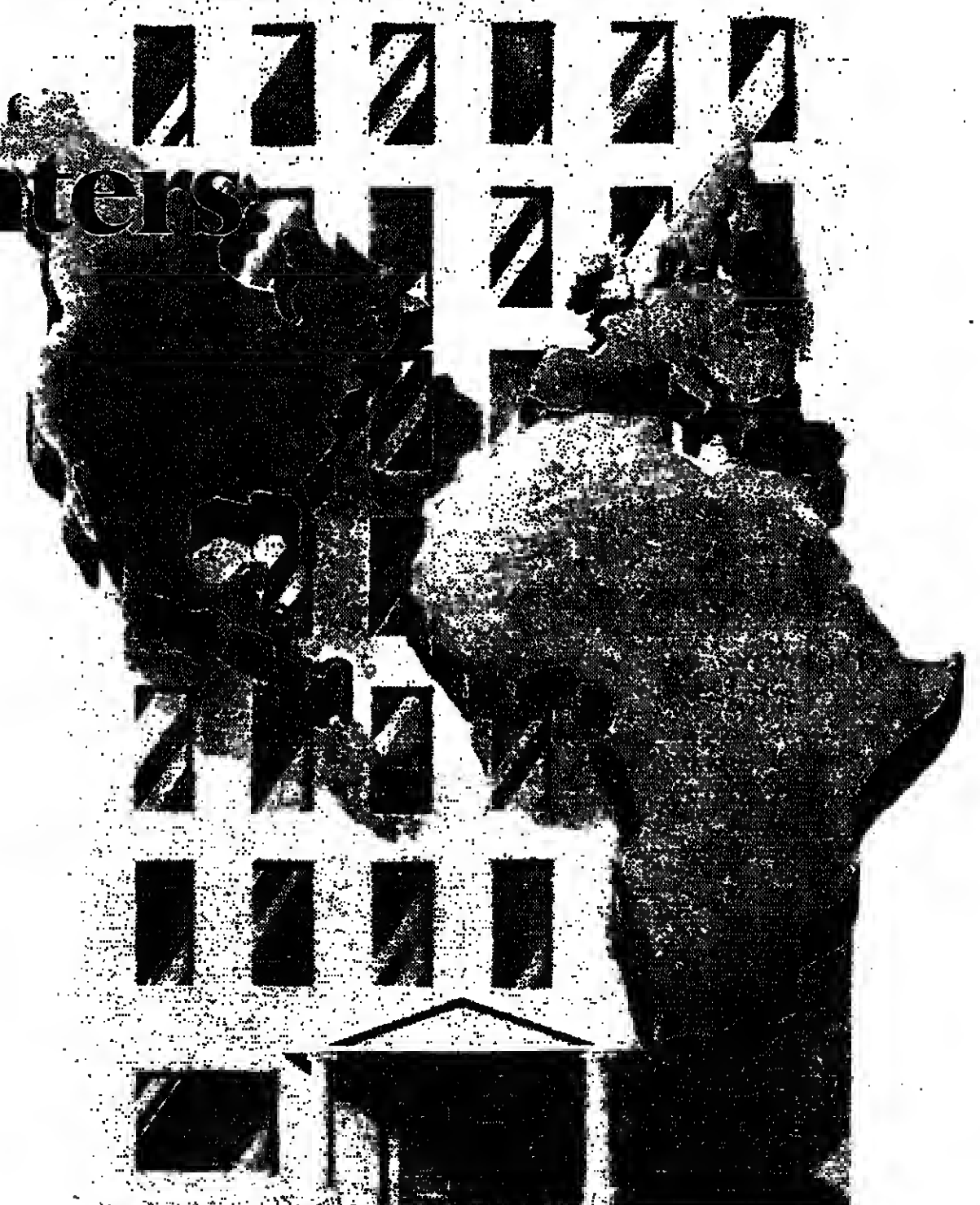
But our activities aren't nearly as important as our attitude. Because Pierson is comparatively small, we're able to keep closely and personally involved in each client's business. Which means we're more apt to discover inventive financial ideas for your growth.

So if you're an individual, a business, or an institution interested in expanding or investing internationally, contact the closest Pierson office, or write for more information to our International Division, 214 Herengracht, 1016 BS Amsterdam, The Netherlands.

Let Pierson help you become known in all the places we aren't.

PIERSON, HELDRING & PIERSON N.V.
Get to know the bank whose main service is service.

The Netherlands: Amsterdam (head office), The Hague, Rotterdam and Haarlem.
Foreign branches and subsidiaries, representative offices, trust offices and affiliates in: Bermuda, Curaçao (Netherlands Antilles), Guernsey (Channel Islands), Hong Kong, Jakarta, London, Luxembourg, New York, San Francisco, Zurich and Tokyo.



BANCO DE BOGOTO

Columbia in the International Banking World

COLOMBIA

BANCO DE BOGOTA (Colombia)
Carrera 10 No. 14-33
BOGOTA D. E.
Tel.: 283-7777
Telex 44466
Cable: BANCBOGOTA
250 Branches in Colombia

NEW YORK

BANCO DE BOGOTA TRUST COMPANY
375 Park Avenue
New York N. Y. 10022

BANCO DE BOGOTA, NEW YORK AGENCY
375 Park Avenue
New York N. Y. 10022

PANAMA

BANCO DE BOGOTA S.A. - PANAMA
Calle 34 Este No. 4-50
Panama, Republica de Panama

NASSAU

BANCO DE BOGOTA, NASSAU LTD.
P. O. Box N-4843
Nassau, Bahamas

CAYMAN ISLANDS

BANCO DE BOGOTA FINANCE CORPORATION
P.O. Box 1043
George Town, Grand Cayman
Cayman Islands, British West Indies

ECUADOR

BANCO DE LOS ANDES (Affiliated)
Avenida 10 de Agosto No. 2-51
Quito, Ecuador



Correspondent Banks throughout the World

WORLD BANKING X

All cash controlled from London

IMPERIAL CHEMICAL INDUSTRIES

ROBERT COTTERELL

"I DON'T think three hundred or so banks is excessive. If we wanted, it could be three, four, five times that number."

The financial web spreads widely from the London Millbank office of Mr. Cyril Crowe, treasurer of Britain's Imperial Chemical Industries (ICI). Those three hundred banks with which the group regularly deals were involved last year in the handling of £255m of liquid assets and £246m of short-term borrowings, with group loans totalling £1.145bn.

"Our cash resources are centralised. The group is organised from here," says Mr. Crowe. "In Australia and Canada [where ICI has large quoted subsidiaries] there is considerably greater day-to-day independence than for somebody in Rome or Paris. We supervise banking relationships. Companies aren't going to open and close accounts without our agreement."

Operating units do not hold cash, all the cash is centralised. They sell the goods, we collect the money. They want raw materials, we pay for them. They have a bank account for local wages. The UK is very tight, and other parts are pretty tight. If in France or Germany they want to change banks, they can't do that without our agreement. We take into account overall relationships. Banking and finance are the responsibility of myself and my team here. It's not open to operating units in general to set up relationships."

Mr. Crowe oversees a team which makes policy decisions about optimal credit and deposit needs, and an in-house dealing room which implements day-to-day cash management. "We operate as does a dealing room within a bank, but

on a smaller scale," says assistant treasurer Mr. David Nash. "We get quotes for foreign exchange, overdrafts, banking credits, and bills," says Mr. Crowe.

ICI's borrowings are likely to increase this year, says Mr. Crowe. "There is a choice how far the group borrows longer term, and how far it runs down cash. In the last two or three years the banks have tended to lend for longer, and we've taken advantage of it to establish long-term financing separate from the bond market. They're willing to commit themselves to seven to ten years, where in the past they would have said five to seven."

Syndicate

"If we borrow on floating rate, we go to several banks to see what sort of spread there is. If we decided for our various reasons that we'll meet requirements by borrowing from a bank on a ten-year floating rate, then we invite the banks to quote, and choose on a competitive basis just like quoting for forex. On a public issue bond, we appoint a syndicate. We use leads for the type of market. In Switzerland, we use the big three in rotation. On Germany there are three we rotate."

There is no shortage of banks for ICI's custom. "It is such a competitive market. There are certainly far too many banks," says Mr. Nash. "The problem with ICI is not to be over-

banked. We try to maintain the right level, and we do not feel consciously over-banked."

Its high level of in-house expertise gives ICI something of an arm's length relationship with its bankers in non-credit matters. "We're reluctant to hand over responsibility for our affairs to any outside organisation," says Mr. Crowe. "We never ask for advice in terms of economic predictions. Nobody here would dream of ringing up for an economic forecast for 1983. We have our economic department. A lot of banks send us things. Quite a few send us survey data that we read, some good, some not. But we don't ask advice from them, it's not ICI's policy to pay for advice from banks. We expect good service."

When exchange controls were lifted, says Mr. Crowe, "We were aware of the possibilities of what we could do, so I don't think the banks could have guided us at all. There was not a lot to contribute. We have people whose job it is to do those things, we're not like the small trader doing business but not looking at the financial aspects. I don't think the bankers would think they could tell us much in that area. We were aware of exchange controls, and I can't think of one aspect where a bank said 'Have you thought of this?'"

Where banks assign to a company account staff skilled in the particular industry, they do so because "it's convenient to them," argues Mr. Crowe. "They'll say: 'We hear you're doing so-and-so. Do you need money? Some help?' Except in one or two special cases, we would not reckon on them having a really detailed knowledge of the industry. We don't mind whether those chaps are there or not. They do it for their own protection. They want to know what the true economic risk is on a project. But we don't have any limited recourse financing."

"If you take an overseas country," says Mr. Crowe, "usually in the first place we use a locally established bank to handle most of our ordinary trading transactions. That doesn't rule out the overseas branches of U.S. and UK banks."

In the main, local banks overseas provide "local currency financing," says Mr. Nash. "For loan finance, we'd usually need to turn to international banks. ICI as a multinational expects to have links with the major multinational banks, whether they are British, American, Continental or anyone. They are no less multinational than we are."

The build-up of American banks in London over the last 10 to 15 years "brought more of a selling approach to the business at one stage. They were more aggressive for a while, but I wouldn't like to say that they left the UK banks behind," says Mr. Crowe. "I wouldn't say they were sharper, but some made a determined effort to get a position in Britain. The Americans came partly for the Euro market, and partly for American companies with UK subsidiaries. And they're out to get connections with British customers, as are UK banks in the U.S."

Commercial paper wins

PHILIP MORRIS

STEWART FLEMING

AFTER A cursory glance through the annual report of the giant consumer products corporation Philip Morris it would be hard to resist the conclusion that the company is the sort of client commercial bankers dream about.

One of the fastest growing amongst the largest U.S. corporations, Philip Morris has seen its sales revenues surge from \$1.1bn in 1969 to \$8.5bn last year.

More important from a bankers point of view this growth has been accompanied by a dramatic increase in the company's needs for short-term credit. This stems in part from the nature of its businesses, particularly the most rapidly growing segments of its diversified operations.

The bulk of its business remains tobacco, which last year accounted for 64 per cent of sales revenues and 32 per cent of total operating profits, which hit \$1.15bn in 1979.

The growth of its tobacco operations has "been underpinned by its phenomenally successful 'Marlboro' brand. This growth has, however, resulted in heavy reliance on short-term debt to finance stocks of leaf tobacco.

Its other businesses, including the Miller Brewing division, are also heavy users of short-term credit. Indeed, in an address to a banking conference in Richmond, Virginia, in March, Mr. F. Harrison Poole, the company's Treasurer, estimated that Philip Morris's short-term credit requirements, which fluctuate widely according to seasonal influences, could peak at between \$800-900m.

Here then, you might imagine, are many of the ingredients which would make Philip Morris a highly attractive lending proposition for bankers.

A large and secure multinational company, growing rapidly and with heavy short-term financing demands of a kind which do not lend themselves automatically to funding in the long term bond markets.

The reality is rather different because the company chooses not to depend on banks for short term finance. As Mr. Poole points out: "About the only way we borrow is from the commercial paper market."

Philip Morris is one of the dozens of large U.S. companies which over the past decade have steadily cut back on their borrowings from commercial banks at the bank's prime lending rate and instead funded themselves in the rapidly expanding U.S. commercial paper market, where companies and financial institutions such as insurance and pension funds, lend directly to each other.

In 1975 commercial paper outstanding totalled \$48m. By February of this year it had reached \$116bn and a growing proportion of this credit outstanding was to non-financial companies like Philip Morris which have been finding it cheaper to raise money in the commercial paper market than from their bankers.

Indeed, as the prime lending rate at commercial banks surged to a new record of 20 per cent in the past few months, major companies were still able to get funds in the paper market at around 16 per cent.

Mr. Poole points out, for example, that last year about 98 per cent of his company's short-term debt was funded in the commercial paper market, which he estimates saved the company \$14.6m in interest expense compared with borrowing from banks.

The heavy use of non-bank short-term finance does not mean that the company has tenuous links with its bankers. Its commercial paper must be backed up with the customary bank loan commitments, which help to reassure investors in the commercial paper market about the market's underlying stability.

Philip Morris has some 73 line banks providing back-up lines in return for commitment fees, of whom 14 are now major foreign banks.

Mr. Poole says it is important to the company that the banks feel their relationship with the company is profitable to them and that the banks are properly

compensated for the back-up facilities they provide.

The importance of their banking relationship was illustrated in 1978 when Philip Morris turned to its banks for temporary bridge finance for its \$500m acquisition of soft drinks producer Seven-Up.

But providing commercial

paper back-up lines of credit in return for commitment fees of a meagre one half a percentage point is clearly a much less rewarding business to the banks than lending millions of dollars of short-term credit to a major company.

Philip Morris's bankers do of course provide other operating services for such things as pay-rolls, cash management and helping with foreign exchange exposure management, although as Mr. Poole points out the Treasurer's Group within Philip Morris plays the primary role in this area of the complex tax, legal and accounting issues involved.

Bank Polska Kasa Opieki S.A.

Head Office: Warsaw

PARIS BRANCH

(established in 1929)

23, RUE TAITBOUT, PARIS-9

Cable address: BANKPEKAO PARIS
Tel: 247.12.72

Telex 660827 Polbank/General - 650636 Polforx/Dealers



OFFERS ALL BANKING SERVICES INCLUDING FOREIGN EXCHANGE AND MONEY MARKET OPERATIONS

specialises in the financing of foreign trade between France and Poland

U.K. Business in America:
We are one of the leading banks for foreign investment.

We are experts in foreign investment in the U.S.

European American Bank is a major American bank with specialized skills in international finance and more than \$7 billion in assets. We have extensive expertise and experience in providing the banking products and services leading U.K. businesses need for their U.S. operations. Through our New York banking network and locations in Chicago, Los Angeles and San Francisco, we can meet those needs anywhere in the U.S.

We also have a very close working relationship with Midland Bank, one of our six shareholders. All of our shareholders are leading European banks and have over \$250 billion in assets. With this extensive network we can meet all your banking needs no matter where they are in the world.

We can give your American business a complete range of quality services.

We know the U.K. companies operating in the U.S. need a wide variety of bank services. EAB has an excellent package that independent research has shown to be one of the best offered by any U.S. bank. These services include:

- Foreign exchange trading and counseling.
- International money transfers.
- Money market instruments.
- Trade promotions.
- Foreign collections.
- Letters of credit.
- Cash management.
- Mergers and Acquisitions.

All banks are not the same.

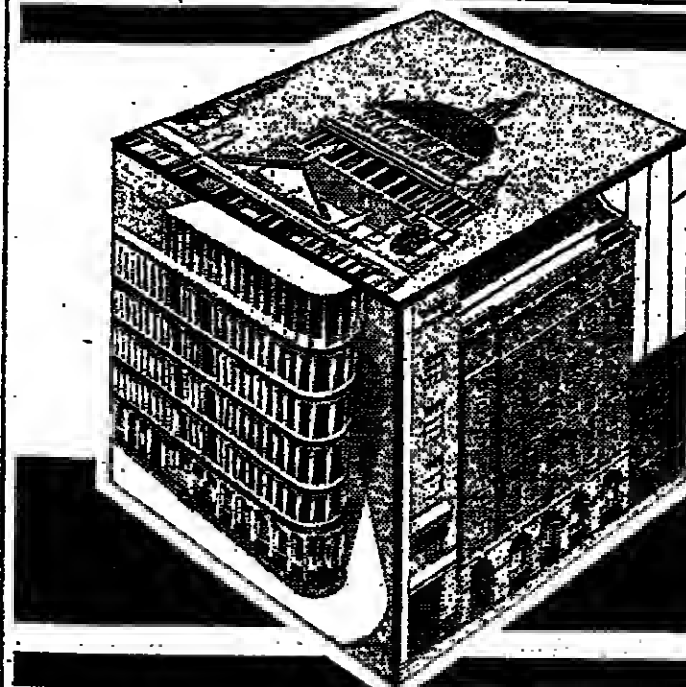
What makes EAB a different kind of bank for European business is more than the quality of our products. It's our first-rate bankers and our management philosophy.

We've organized our bank to make sure that we have no bureaucratic red tape. Our senior management is actively involved in running the bank on a daily basis. Day-to-day involvement that insures our European-trained bankers can deliver solutions quickly, intelligently and with attention to detail. This means you get the best thinking of the entire bank working on all your requests.

If you would like more information, please contact Mr. Peter Butcher, Senior Vice President (212) 437-2333 or Mr. John Moore, Vice-President, at (212) 437-2355. Or write them at 10 Hanover Square, New York, N.Y. 10015.

EAB

European American Bank



Property in the Square Mile.

Vigers, established in the City of London since 1842, provide specialist advice on all commercial property matters including the acquisition and disposal of premises, rent reviews and lease renewals.

Vigers

4 FREDERICKS PLACE LONDON EC2R8DA 01-805780
CHARTERED SURVEYORS

WORLD BANKING XI

The remaining pages of this part of the survey carry articles on the experience of the banking systems of the major industrialised countries of the Western world.

Radical effect of new Act

ACCELERATING inflation over the past three years has pitched the U.S. banking system into a period of rapid change unprecedented since the aftermath of the Great Depression.

It has fostered the growth of competitive institutions, ranging from the commercial paper market to money market mutual funds, which have mounted an intensifying challenge to the banks for lending business as well as for deposits. It has provoked the Federal Reserve Board, the central bank, into increasingly strenuous attempts to curb monetary growth in an effort to bring inflation under some control, efforts which helped drive up the rate of interest banks charge their best customers to a record 20 per cent in March.

After three years of fruitless debate in Congress inflation was one of the main forces which finally helped force a political coalition dedicated to reforming increasingly anachronistic banking regulations.

That coalition achieved its objective in March when President Carter signed the Monetary Control and Re-regulation Act, which has been described as the most far reaching reform of the U.S. financial system of the past 50 years.

With the important exception of laws which limit commercial banks to operating in a single State, the legislation addressed most of the major regulatory issues which have been thrown into sharper and sharper focus by accelerating inflation.

A fundamental one was the threat to the status of the central bank itself. The Federal Reserve System had been steadily losing banks from its voluntary membership as

UNITED STATES

STEWART FLEMING

they increasingly balked at the mounting cost of keeping non-interest bearing reserves with the central bank. By requiring all financial institutions—thrift institutions such as savings and loan associations; mutual savings banks which finance private house purchases; and the 15,000 commercial banks, to keep reserves with the central bank against transaction accounts, the legislation has removed the incentive to quit the reserve system and underpinned the status of the central bank and the influence of its monetary policy.

Threat

Beyond tackling this specific and threatening problem, the Act promises to shift the competitive balance between different types of financial institution with the declared objective of seeking to equalise competition by removing distorting regulations.

It is proposed, for example, to remove over a period of six years the regulation, which establishes ceiling on the rate of interest which can be charged on deposit accounts.

This change should result in individual bank and saving institution depositors being paid a fairer rate of interest for their funds. But it will also help the banks and thrift institutions to compete more effectively with such rivals as the bond markets

or money market mutual funds for savings deposits.

In return for the elimination of their privilege of being allowed to pay savers 1 per cent more than banks on savings deposits, the thrift institutions whose assets total around \$740bn compared with over \$1,500bn for the commercial banks, are to be allowed to invest up to 20 per cent of their assets in such things as consumer loans and other what amount to cheque accounts.

It is also hoped that the assets side of the savings institution balance sheet, which has suffered from a preponderance of fixed interest long-term loans, will be strengthened by a new regulation of the Federal Home Loan Bank board which will facilitate increased variable rate lending.

The relative absence of this facility means that in 1980 many savings institutions will suffer heavy losses and some will probably fail because of day-to-day cost of their money has risen above the fixed rate on the bulk of their loans.

The legislation has also tackled similar problems for commercial banks. In many States laws limit the rate of interest banks can charge on loans, particularly consumer and mortgage loans, and in some states even business loans. This has resulted in losses to one banks as money costs in the

past six months have risen above usury ceilings.

Whatever the longer term implications of the new legislation (and there may be more to follow if the three main bank regulatory agencies succeed in persuading Congress to approve new laws to ease the rescue of troubled financial institutions), it is clear that in the short term the U.S. banking system is facing some rather different, but no less formidable challenges.

The Federal Reserve System's anti-inflation measures, including both the rise in short term interest rates to undreamt of peaks and the "voluntary" 6-9 per cent limit it has put on credit growth for the banks, are designed to make banking a difficult business over the next year.

It is becoming more and more likely that the U.S. economy will tip into recession and some banks are already beginning to increase loan loss reserves in anticipation of problems among some of their customers. The rise in interest rates at the short end of the market has made it more difficult for banks to manage their liabilities.

This is one of the factors which has contributed to a weakening in bank profit growth in the past six months.

Further weakness may lie ahead if leading growth is constrained by Fed policy and that would put bank capital-to-asset ratios, already at historically low levels, under further pressures.

A big question mark hangs over this area, however. If, as money market economists maintain, many companies no longer have access to the long term bond markets because of lenders' fears about the uncertain inflation outlook, it is possible that banks could be faced with burgeoning demands for credit from corporate customers which will bring them into direct conflict with Fed policy.

There are fears too that if the U.S. banks do head evenly effort to meet Fed guidelines the foreign banks which have already carved out some 10 per cent of the U.S. banking market, will be able to increase their penetration now concentrated in New York and Illinois. The Fed has written to foreign central banks seeking assurances that they will restrain their banks from taking advantage of U.S. policy.

The foreign banks have, however, been put on a more equal footing with their U.S. rivals, assuming the Fed's new credit restraint programme works equitably.

AMERICA'S LEADING BANKS—(end-year position)

	Total assets (\$bn)		Net income (\$m)	
	1979	1978	1979	1978
Bank of America	108.4	94.9	600.2	514.2
Citicorp	106.4	88.3	544.0	482.0
Chase Manhattan	64.7	61.2	311.2	197.2
Manufacturers Hanover	47.7	40.6	211.3	181.7
J. P. Morgan	43.5	38.8	288.1	257.3

We operate all over the world

In addition to our Offices in Frankfurt, London, New York, Paris, Tehran and Tokyo, we have 1,000 correspondents spanning all the Continents.



BANCA NAZIONALE DELL'AGRICOLTURA

Representative Office: 85, Gracechurch St., Room 50.
London E.C. 3V OAR Tel. 6232773 Telex 834651 LDNAGR

Wary eye on foreign challenge

DESPITE ITS reputation for being the banking capital of the world, the City of London often seems very much the preserve of the traditional British banking institutions.

At the top of the pile in sheer size, if not in excitement, are the private commercial banks: Barclays, Lloyds, Midland and National Westminster.

Size is less important in the field of merchant banking, where some of the best banking brains in the City are concentrated in a handful of names like Warburgs, Morgan Grenfell, Schroders and Kleinwort Benson. These banks are among the principal members of the Accepting Houses Committee, a long-standing City club.

A third group of banks is the discount houses, the highly specialist intermediaries between the authorities and the banking system, whose whole business is based on discounting bills of exchange.

Overseeing everybody, including foreign banks and all institutions designated as deposit-takers, is the Bank of England, the central bank.

Not so long ago the commercial banks, known in the City as the clearers because of their membership of the London clearing house, were simple short-term lending institutions and deposit-takers. This has changed over the years, however, as the clearers have become involved in medium-term lending to British industry, and have diversified their activities in a multitude of financial services.

Apart from the traditional finance houses, the largest of which are clearing bank-owned, the clearers are now involved in leasing, factoring, merchant banking, and an increasing range of personal financial services. They dominate the personal banking market, but have lost almost a third of lending to British manufacturing industry to the foreign banks, mainly the big U.S. banks.

In retail banking there is no significant equivalent to the German savings banks. The Trustee Savings Banks, about 18 in number, have only recently been allowed to move away from collecting deposits for the Treasury, while the building societies—though now the dominant collectors of personal savings—have yet to venture into banking services.

Because of their vast size, the London clearers are rarely out of the news. Over the past year they have had far more Press attention than they would like because of an unprecedented profits bonanza: increases were reported of between 70 and 90 per cent in domestic pre-tax profits.

Almost all of this was the result of the Government's high interest rate policy. So while the clearers were not having to pay anything extra for balances left interest-free on current accounts, they were able to charge customers rates in excess of 20 per cent.

The profit figures have opened up many of the old debates about the UK banking

UNITED KINGDOM

MICHAEL LAFFERTY

system. Even the Conservative Government was forced to concede that some form of special taxation might be appropriate for the clearers, though none has yet been announced.

The Bank of England, acting in its non-Central Bank role as protector of the participants in the banking system, has argued that the extra windfall profits are needed to maintain the capital adequacy of the banks.

The debate over the clearers' profits has developed into a discussion about their efficiency. On the one hand, the profitability of the banks is generally said to be among the best in the world—even in bad times. On the other, the esteem in which clearing bankers are held in the City is not the highest.

Allied to this is the fact that the British banks have lost such a large share of their domestic industry lending to foreign banks, while they have left the personal sector little more than half bankrupt.

The question that is now being asked is whether the clearers are so comfortably placed that they cannot help making money, with the result that they have little incentive to tackle new markets.

Blessed

The London clearers are certainly blessed in having a customer base which insists on going on leaving large interest-free balance on current account. The same is not true in Scotland, where bank customers make far more use of deposit accounts. On the other hand the centre-piece of their service—and there is little difference from bank to bank—is the current account.

So if people want to enjoy normal banking services they either borrow money at a margin of 3 to 5 per cent over bank base rate, or else leave at least sufficient funds on current account to make sure that they never go into the red.

One of the London clearers, Midland, has recently indicated that it is considering paying interest on current account. Doing so would involve a considerable shift in the pricing structure for bank services, and might well involve a major shift in the policy of cross-subsidisation which all the clearers have applied up to now.

Such a move is much more likely to be used as a marketing strategy, and there is plenty of opportunity for marketing personal bank services in Britain. The fact that at the very most only 60 per cent of the adult population has a bank current account means that there is still a vast population of around 11m people to tap.

This opportunity has not escaped the notice of foreign banks. Over the past year both Citibank and Bank of America have indicated new plans to expand in the UK retail banking market.

B of A is starting off on the deposit side, by offering higher rates on term deposits than the clearers, but Citibank would like to convert its UK finance house into a fully fledged personal bank with current account facilities. Its biggest problem could be acquiring suitable premises.

The clearers are watching Citibank's every move. They know it is one of the best retail banking operations in the world, and that its plans have worked already in Europe.

Another issue on which there have been further developments over the past year is disclosure of bank accounts.

This year for the first time the London clearers provided shareholders and the public with some useful figures on their bad debt experience and provisions. As many critics had believed, it emerged that the banks were setting up far higher provisions than their loss experience seemed to justify.

Prudential control, and the extent to which the Bank of England should interfere in bank management, is rapidly becoming a major issue in British banking.

Under the 1979 Banking Act, which is still being gradually implemented, the Bank has responsibility for licensing and supervising both banks and other deposit-taking institutions. So far it has handed out recognised bank status to the clearers, the accepting houses, the discount houses and all leading foreign banks. But at the time of writing there is still a large rumour of names to be dealt with.

At the same time the Bank has been introducing the banks to a new prudential regime, with discussion papers on capital adequacy, foreign exchange exposure and liquidity. The first caused little stir, but their ruffled feathers were smoothed when the Bank promised to use the paper's proposals as guidelines rather than limits. The third has sent the banking community as a whole into a rage.

Accusations of heavy-handedness, lack of experience, and threats of confrontation have been uttered by bankers. But the likelihood is that everything will be sorted out over tea and biscuits at the Bank. As one banker said, recently: "The English language is remarkably flexible."

For syndicated loans and bond issues a wholesale banking leader is a must.



Long-term capital investment, government or state agency-backed jumbo loans, or other large-scale financing call for a banking leader with all the credentials and expertise that guarantee a smooth, competitive functioning of any major money raising operation.

- Proven lead and co-management capabilities
- Experienced documentary knowhow
- Complete access to all major capital markets
- Strong placement power
- Secondary market leadership
- Extensive refinancing capacity
- Full international flexibility

These capabilities are Westdeutsche Landesbank's stock-in-trade. During the last year, it managed and/or co-managed a total syndicated loan volume of US \$18.5 billion. The Bank has the necessary capacity and expertise to provide client-oriented credit facilities either on its own or in cooperation with international financing partners.

Fixed interest domestic DM loans for long-term capital investments, Euroloans in DM or Dollars with appropriate currency options, international straight bond issues, convertible bonds or bonds with warrants, private placements and equity financing including stock exchange listings—all are financing instruments readily available to WestLB clients.

WestLB, as a state-backed wholesale financing institution is authorized to issue its own securities such as mortgage bonds, and other debentures. It also has substantial deposits from corporate clients and the 180 regional banks for which it acts as clearing institution.

With a balance sheet total of more than DM 85 billion, it ranks among the top twenty banks in the world and is among the first three in Germany. WestLB is also a recognized market maker in fixed interest securities.

The Bank's highly professional approach to initiate and organize international syndicates, its own vast resources, international flexibility and well balanced sources of funds make WestLB a solid wholesale banking partner for big-ticket finance.

A strong force in wholesale banking

WestLB
Westdeutsche Landesbank

Headquarters: P.O. Box 1128, D-4000 Düsseldorf 1, Tel. (21) 8261 • Frankfurt Office: Tel. (61) 25791

Branches: London, Tel. 638 6141; New York, Tel. 754-9600; Tokyo, Tel. 216-0551

Subsidiaries: WestLB International S.A., Luxembourg, Tel. 44 74 11; WestLB Asia Limited, Hong Kong, Tel. 5-259 206

Representative Offices: Latin America Office New York, Tel. 754-9620; Rio de Janeiro, Tel. 224 7182; Tokyo, Tel. 213-1811; Melbourne, Tel. 67 51 91

Participations: Banque Franco-Allemande S.A., Paris, Tel. 3 59 01 09; Banco da Bahia Investimentos S.A., Rio de Janeiro, Tel. 253 88 23

WORLD BANKING XII

1979 Financial Highlights Results of a distinguished banking tradition



Head Office Munich

London, New York, Luxembourg, Paris, Tokyo these are just a few of the financial centres in which BV operates. We are one of Germany's major banks with a tradition dating back to 1780.

This is the year in which Margrave Karl Alexander founded the »Hofbank« of Ansbach, later to become Bayerische Staatsbank.

In the USA we are known under the name UNION BANK OF BAVARIA with offices in New York, Chicago, Los Angeles, Atlanta and Cleveland.



**BAYERISCHE
VEREINSBANK**

INCORPORATING BAYERISCHE STAATSBANK AG

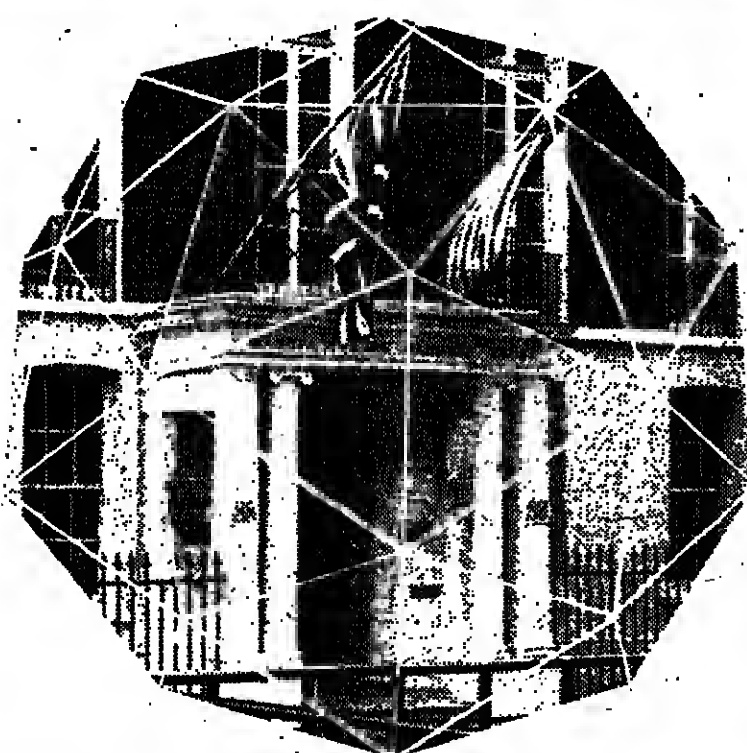
Bayerische Vereinsbank Group	31.12.1979
Total Assets	82,968
Due to Customers and Banks	34,928
Due from Customers	19,991
Bonds Issued in Long Term Loan Sector	43,404
Lendings in Long Term Loan Sector	44,066
Capital Resources	1,999
Consolidated Profit	95
Staff	11,966
Branches	486

For further information please contact:

BAYERISCHE VEREINSBANK
(Union Bank of Bavaria)
London Branch
40, Moorgate
London EC2R 6EL
Telephone (01) 628 9066
Telex 8813172/3 bvlg

BAYERISCHE VEREINSBANK
Head Office
International Division
Kardinal-Faulhaber-Strasse 1
D-8000 München 2
Telephone (089) 2132-1
Telex 529921 bvmd
SWIFT BVBE DE MM

The Geobankers can put money to work for you in any convertible currency.



GEOBANKING®

It is the way of worldwide banking at Manufacturers Hanover, a major U.S. bank with nearly \$50 billion in assets and a tradition of service dating back more than a century.

GEOBANKING DEPOSIT FACILITIES.

Nearly \$40 billion in local and international currency deposits are currently entrusted to the Geobankers on a global basis. By governments, banks, businesses and individuals.

These deposits take the form of current accounts to concentrate

funds for business payments. Certificates of deposit that offer excellent marketability. Time deposits for longer-term investment. And a variety of other deposit accounts for earnings plus liquidity.

Put the total global commitment of Manufacturers Hanover to work for you. Contact a Geobanker today.

MANUFACTURERS HANOVER The banking source. Worldwide.

In Europe: Athens, Brussels, Bucharest, Düsseldorf, Edinburgh, Frankfurt, Garmisch, Hamburg, Hannover, Lisbon, London, Luxembourg, Madrid, Manchester, Milan, Munich, Oslo, Paris, Rome, Zurich. Worldwide: Argentina, Australia, Bahamas, Bahrain, Belgium, Brazil, Canada, Channel Islands, Chile, Colombia, Egypt, El Salvador, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Kenya, Korea, Lebanon, Luxembourg, Malaysia, Mexico, Norway, Peru, Philippines, Portugal, Puerto Rico, Romania, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom, United States, Venezuela.

Headquarters: 350 Park Avenue, New York, N.Y. *to open in 1980. Member FDIC

Intense competition in all sectors

WEST GERMANY

KEVIN DONE

tural credit co-operatives and their clearing houses.

Despite the density of the present German banking network, a process of rationalisation and consolidation has been going on steadily over the last couple of decades.

At the end of the 1950s there were more than 13,000 banks operating in West Germany with something over 30,000 branches. The number of branches has grown strongly to around 40,000, but the number of banks has fallen back to rather more than 5,000 as a result of closures, mergers and takeovers.

Powerful new influences have emerged on a national basis in the form of the biggest regionally based banks, such as the Bayerische Vereinsbank, which has grown well beyond its original boundaries of Bavaria in a series of takeovers of small banks in different parts of the country.

At the same time a growing number of foreign banks have entered the West German banking scene, although none have found it easy to establish a presence.

Nerve centre

Foreign banks have managed to achieve only a very small share of the West German banking market so far, and there are no signs that this state of affairs is likely to change in the near future.

Foreign institutions are represented in Germany in large numbers. — Frankfurt, the Federal Republic's financial nerve centre, plays host to 174 international banks, more than any other city in continental Europe—but this is hardly reflected in the volume of their business.

The main focus of foreign banks' problems in West Germany is the nature of the universal system, which has meant that extraordinarily close ties have built up between the big domestic banks and industrial companies.

Those links range from the large direct equity stakes and proxy voting rights to all-round banking services and supervisory board appointments. Ideas of long-term banking relationships fit uneasily into this sort of scheme and the advantages that companies can enjoy from their close relationship with their German bankers

underlined by recent rescue cases such as AEG-Telefunken and DDB Hansa.

In both cases the companies have been rescued by massive support from their bankers, but there has been a sharp reluctance on the part of many foreign banks to become involved. For the major German banks the AEG-Telefunken rescue has become something of a test of their virility and of the whole private enterprise system as it is practised in the Federal Republic.

Ironically the very strengths of the German universal banking system which make its individual institutions so formidable, have also been the source of considerable unease in some quarters. The attack has centred on two questions. Have the banks become too powerful and has the universal system eroded true competition? Following the dramatic collapse of the Herstatt Bank in 1974 a commission was set up under Professor Ernst Gessler to examine the banking system and to determine whether conflicts of interest exist.

The questions at stake were whether the German banks exercised too much power through their industrial shareholdings, whether senior bankers held too many seats on companies' supervisory boards, whether the banks used their access to proxy votes to their own advantage, and whether the banks were using their foreign subsidiaries as a loophole to avoid legal limits on the amount of credit that they could grant.

In the event the commission took a fairly relaxed view of most of these issues believing that the banks fundamentally would honour their social responsibilities. The commission recommended greater disclosure of bank's voting practices and suggested that banks' equity holdings should be no more than 25 per cent plus one share—a minority of the commission would like a limit of 10 per cent—but it hardly sought fundamental changes.

Any alterations in banking law will in any case have to await the outcome of the autumn general election and even after that date alterations are unlikely to reach the statute books for a couple of years at least.

Whatever discussion is

fuelled on the structure of the banking system, it is unlikely to be fuelled this year, at least, by the size of the profits the banks are making. Faced by a determined tight monetary policy from the Bundesbank, the West German central bank, the commercial banks have found their interest margins uncomfortably squeezed.

In order to pay an unchanged dividend it had to forego making any payment into its open reserves. Other lead banks also fared badly and in some cases saw their earnings sustained by unpredictable factors such as earnings on gold transactions.

Despite occasional boom years during the 1970s, the banks have in fact suffered some fall in their overall profitability.

Despite some success in holding down administrative costs, the banks have seen a decline in the net interest and the net commissions they have received as a percentage of business volume. The overall growth of business volume in the 1970s has certainly been impressive, but this judgment alone on the health of West Germany banking institutions could tend to be misleading.

The banks have been critical of some of the tactical moves of the Bundesbank—especially that it allowed its key interest rates to fall out of line with the money market rates—but in general the banking community has supported the need for a restrictive policy lead from the central bank.

Constitution

The Bundesbank, at the apex of the German banking system, is arguably the most independent of the world's major central banks, with its overriding duty of protecting the value of the currency written into its constitution by law.

The Act which set up the Bundesbank states that it is called on to support the Government's general economic policy as long as, and to the extent that, this support is consistent with its first duty of safeguarding the currency.

For most of the last decade the Bundesbank was able to meet its foremost duty with apparently little effort because the Deutsche Mark did little but rise and rise.

For the first time since the mid-1960s, however, it is now having to live by a new set of financial rules to take into consideration the fact that the country has plunged into deficit on its current account and that this year the deficit would reach more than DM 20bn, the largest deficit of any of the industrialised countries.

Central role in economy

FINLAND

LANCE KEYWORTH

FINLAND has seven commercial banks (with 863 branch offices), 278 savings banks, 373 co-operative banks, five mortgage banks and three development credit institutions. In addition co-operative stores accept deposits from their members, and the Social Insurance Institution and 56 private insurance companies engage in lending. This is a remarkably thick blanket of money market services for a population of 2.7m, but perhaps not quite so thick for a country of such a big area and a clientele that still puts its faith in banking against the rainy day what inflation and the taxmen leave to it.

Banking plays a more important role in Finland than it does in the economies of many other Western developed countries. Bank deposits by the public constitute the highest part of the money supply, and the development of the broad money supply (M2) follows very closely the changes in the deposit flow of the banks.

Like the Finnish economy, the banking system is mixed, with the private sector predominant. The deposit side of bank trading is almost entirely in the hands of private banks, with only Postipankki competing (Postipankki is State-owned, translates unofficially as Post Office Bank. It runs the postal Giro system, handles State payments and offers all the services of a commercial bank). On the credit side, however, the public sector's role has been increasing and State institutions now take 40 per cent of the market. The Government's steady encroachment on the banking sector is a major concern among private bankers.

Independence

The Bank of Finland, the central bank, enjoys a degree of independence and authority rare among central banks in the Western world. So far, it has guarded this independence zealously.

It is the main decision-maker on monetary policy. The central bank is virtually the only source to which the banks can turn for the funds that they always need in addition to their deposit holdings to finance trade and industry. It uses this position to regulate lending, tightening or loosening its supply of credit to the banks as it deems the situation requires.

It has now completely refurbished the monetary machinery

needed for this purpose, making it more flexible and faster-acting, and bringing it into line with international practice. The old and rather cumbersome system of fixing quotas for the commercial banks' borrowing from the central bank has been abandoned. Almost the entire requirement of central bank financing must now be met from the call money market, which is run by the Bank of Finland.

There is no ceiling to drawing rights in this market but a bank that uses it exceptionally heavily has to pay a penalty rate in addition to the going rate of interest.

In addition, the Bank of Finland operates a cheque account credit system for the banks, entitling them to fixed credit at the basic rate on interest. The current credit ceiling is FM 120 (about £119m). The third piece of regulatory machinery is the deposit reserve system. This enables the Bank of Finland to order the deposit-taking banks to freeze temporarily in a specific account up to 5 per cent of their deposit stock in monthly steps of 0.4 per cent. In other words, it can cream off excess liquidity when the money markets are too easy.

About the only instrument of monetary policy which the Bank of Finland cannot use at will is to vary the basic interest rate (also known as the discount rate). This rate has assumed a political character. It is fixed under law by the Parliamentary Bank Supervisors on the recommendation of the board of management of the Bank of Finland. In fact, while there is little difficulty about lowering interest rates, any attempt to raise them causes a political storm.

The basic interest rate was lowered twice during the recent recession to help in moderating union wage demands but has now been restored to its old level. The upward adjustments were only achieved, however, by a politically enforced balancing act involving simultaneous adjustments to the external value of the Finnish mark.

Finnish banking legislation strictly limits foreign banking activity in the country. Foreign banks may not incorporate in Finland but are allowed to open representative offices, which a

couple have done. They are not allowed to open branch offices, engage in borrowing or lending business or undertake banking transactions. A foreigner may acquire shares in a Finnish bank but only with the permission of the Ministry of Finance and then only up to 20 per cent of the bank's equity.

Banking law also strictly circumscribes the right of banks to pursue industrial activity. Finnish banks may not own more than 20 per cent of the share capital of a company pursuing business that is not directly related to banking, and such holdings in aggregate may not exceed 10 per cent of the

bank's own equity. Exceptions can be made for limited periods—e.g. to mount rescue operations for industrial enterprises of importance to the national economy.

The deposit-taking banks have the rights and offer the services of commercial banks. Although they are traditionally divided into four groups—commercial banks, proper co-operative banks, savings banks and the Postipankki—they are now usually all referred to as deposit-taking banks. As they all apply the same interest rates on deposits and loans, inter-bank competition is concentrated on personal and corporate client services. And competition is fierce—in the opinion of some bankers fierce to the point of being unhealthy and in the Bank of Finland's opinion leading to offers of over-generous terms for housing and other personal loans to attract clients.

Lawrence

WHEREVER IN THE WORLD...

... your bank is making advances secured against basic commodities or products, Lawrence can make your position more secure.

- ★ Collateral Certification and control Services in 130 countries throughout Europe, Africa, Asia, South America, and North America
- ★ Field Warehousing and Bonded Warehouses in North America, the U.K. and Europe
- ★ Receivables Certification and Proceeds Collection Guarantees
- ★ Document Trusteeship and Notification Services
- ★ \$50,000,000 Fidelity and Legal Liability Insurance Underwritten by Lloyd's
- ★ Sixty-seven years of Experience. Regularly serving over 600 banks worldwide

LAWRENCE COLLATERAL SERVICES LTD
1-11 Hay Hill, Berkeley Square, London W1X 7LE
Telephone: 01-629 9807 Telex: 299972 (LAWCOL)

Lawrence is a joint venture between INA Corporation and Société Générale de Surveillance

WORLD BANKING XIII

Growing intervention
by the Riksbank

SWEDEN'S commercial bankers posted an average rise in earnings of 15 per cent in 1979 and yet they have been in a most fractious mood during the first months of 1980. This is only partly due to the slump in profits—some say as much as 40-50 per cent—they anticipate this year.

An equally potent ingredient in their discontent has been their disappointment at the increasing intervention in their business of the Riksbank, the central bank, and the Government.

Much of this disappointment focuses on the new Riksbank governor, Mr. Lars Wohlin, who switched last year from being Undersecretary of State at the Economy Ministry and who, the bankers feel, is reneging on his liberal economic principles.

There is no official control of deposit rates in Sweden; banks are free to compete for sav-

ing money. But for years lending rates have been determined by a "voluntary agreement" between the banks and the Riksbank.

Now the Riksbank has asked the Government to use its powers to fix a ceiling on lending rates.

Squeeze

Following the upward movement in international interest rates last year, the Riksbank raised its discount rate in four stages from 5.5 per cent in July to 10 per cent in January. In the later stages the permitted rise in the long-term lending rate (still under the "voluntary" system) was lower than the increase in the discount, producing a squeeze on margins which became apparent in the downward trend of bank profits from the autumn.

The obligatory liquidity reserves imposed on the banks, were raised to 38 per cent for the big commercial banks, while the cash reserves the banks have to deposit with the Riksbank were put up from 2 to 8 per cent.

Next, partly as a result of resistance from the insurance companies to its efforts to stop them adopting inflation-indexed "real interest" rates for their lending, the Riksbank asked the Government to apply the credit Policy Act, under which it can regulate directly bank and insurance company lending rates for a year at a time.

SLMS—The Government stipulated in April that the average lending rate should not exceed 13.8 per cent in the commercial banks

and 12.65 per cent in the savings and co-operative banks. In addition the Government allowed the Riksbank to prescribe the amount of mortgage bonds and state securities to be bought by the insurance companies.

The Riksbank rounded off an unusually active month by offering the banks a sop. It announced that they could decide for themselves the interest rates on future bond issues for industry and business. The central bank retains its loosening control over industrial bond issues and the interest rates on the mortgage and state bonds, which dominate the Swedish capital market, remain regulated.

further aggregate lending this year, except for those loans the banks can refinance abroad.

In regulating interest rates on bank lending the Riksbank is walking a tightrope. It has to pay attention to international interest levels, in order to protect the reserves. Lower Swedish rates would favour industrial investment, which the Government wishes to stimulate, and help to slow down price increases.

The formal honour for starting this conflict goes to PKbanken which introduced a new 24-month account with a higher interest rate. But the state-owned bank's action was prompted by reports of the new single account system which the

panies' spare cash.

With the discount rate at 10 per cent the rates paid on these special accounts have been around 13 per cent. They are estimated to have accounted for almost 30 per cent of the commercial banks' total deposits or roughly SKr 45bn.

At the same time the Riksbank is greatly concerned about the growing indifference to interest rates among consumers, which it attributes to the taxation system. The commercial bankers argue that the best way to curb consumer credits would be to allow interest rates to find the market level. The Riksbank fears that consumers' insensitivity to high rates would persuade companies to feed the consumer market with money rather than to invest in plant and machinery.

the swift expansion of the so-called "grey" or free money market is a particular bone of contention between the Riksbank and the commercial bankers. From July the Riksbank controls on lending rates and bond issues are being extended to the finance companies, several of which are subsidiaries of the banks.

The root of the dispute between the Riksbank and the banks lies in differing priorities and the interaction between fiscal and monetary policy. The governor, Mr. Wohlin, takes the line that before monetary policy can move again in the direction of liberalisation the government must first revamp its fiscal policy and seriously cut spending, and so on, revise the tax system so that people can get a real return on savings after tax.

For one other factor holding down profits this year the banks have only themselves to blame. This is the so-called "interest-rate war" in deposits which they set off last autumn.

The hope is that the bank certificates will stabilise this relatively volatile deposit business, particularly if a secondary market can be built up. The only limit so far imposed is that the certificates' term should be at most one year.

The initial reception of these certificates has been good and some trading in certificates among the banks themselves is taking place, but the Riksbank itself has yet to show interest in buying and selling the certificates, for which the banks have been hoping.

SWEDEN

WILLIAM DULLFORCE

In April, too, the Riksbank slashed the commercial banks' reserve requirements, stipulating that they should deposit 2 per cent of their cash with the Riksbank instead of 8 per cent. This was no easing of central bank credit policy.

Instead, under an understanding with the Riksbank, the banks will invest the cash released in two new bonds, issued by the state debt office. They will get a better return on their money but the Riksbank also manages to finance a portion of the 1980 Government budget deficit.

The revised budget submitted by the Government last month puts this deficit at SKr 55bn (£5.7bn), or 11 per cent of GNP. Together with the anticipated current account deficit of close to SKr 17bn, it is the Riksbank's and Government's main argument for continuing a stringent monetary policy.

According to the revised finance plan SKr 16.22bn of the budget deficit will be financed through the banking system this year with a further SKr 13bn coming from other Swedish capital market sources and State borrowings abroad accounting for SKr 19.17bn.

To dampen the inflationary potential of this deficit financing, the Riksbank has indicated a 9 per cent limit for the increase in the banks'

real culprit, Svenska Handelsbanken, was about to launch.

Termed the allbonto, this new type of deposit account merges a customer's current and savings accounts into a single account, where with sophisticated computer programming the interest payable is automatically adjusted to the periods for which sums are retained. Svenska Handelsbanken calculated that it would both simplify banking for its customers and in the long run reduce its own account handling costs.

The bank pays interest at an annual rate of 12.25 per cent on deposits of over SKr 14,000, but charges 0.1 per cent of any amount withdrawn. By the end of January allkonto balances had reached SKr 6.9bn. An increase of SKr 1.6bn in the month of January alone, and the bank's directors remained convinced they had found a winner.

Innovation

Another innovation on the Swedish scene has been the fight for banks to issue bank certificates from January this year. Modelled on the British and American certificates of deposit, these are intended to be an alternative for the funds finding their way into the so-called special deposits through which the banks compete at high interest rates for com-

DENMARK

HILARY BARNES

point of view, the main complicating factor is the Government budget deficit, which this year will be about Dkr 12bn before loan transactions. The total borrowing requirement will be about Dkr 38bn and the net borrowing requirement (i.e., after allowing for borrowing to cover redemption of maturing loans) about Dkr 18bn. The total borrowing requirement will be about 11 per cent and the net requirement about five per cent of Gross Domestic Product.

While the Government and the National Bank are in principle agreed that the budget deficit should be financed by the sale of Government paper, it does not always work out

that way. Last year the money supply (M2) increased by about Dkr 14bn, or 10 per cent. Government drawings on the National Bank accounted for Dkr 9.7bn of the increase and Government sales of paper to the bank sector for another Dkr 6.1bn, so that the Government's impact on money supply growth was Dkr 15.8bn.

Drawings

On a couple of occasions last year the Government preferred to suspend the sale of bonds and Treasury bills rather than to see a further rise in interest rates, but this led to a drain on the foreign exchange reserves. In its annual report, published in March, the National Bank complained that the budget deficit posed it with an "almost insoluble problem" and declared that a substantial reduction in the budget deficit was "an indispensable condition for progress towards a better equilibrium in the economy."

But the government's new round of economic policy measures carried out this month, including cuts in public spending, increase in value added tax from 20 to 22 per cent and higher energy taxes,

will not in fact cut the budget deficit next year.

The credit restrictions have affected the banks adversely in several ways. It is not so much the earnings that have been suffered, but an increasing proportion of their earnings is coming from their rising bond portfolios. As they cannot lend in excess of the credit ceiling, they have had to increase their holdings of securities. They have also been hindered in competing for deposits by restrictions on the interest rates which they can offer, a situation which has favoured the bond market.

Another effect of the credit restrictions is that banks have steadily lost industrial business

as companies have raised an increasing proportion of their credit in the form of foreign loans. As Professor P. Nyboe Andersen, chief general manager of Handelsbanken, told the annual meeting of shareholders in the first half of the seventies about 23 per cent of industry's loans came from Danish banks, but in the second half of the decade the share fell to 7 per cent.

Last year, however, the banks were able to win back a considerable share of this business when the major banks were permitted to open Cayman Islands branches. The reasons behind this are peculiarly Danish.

When the National Bank adds up the foreign exchange reserves, it makes a deduction for Danish banks' currency loans to Danish customers. Therefore the National Bank only allows the banks to raise a small quota of currency loans on their own account for relending domestically. Until last year this meant that the Danish banks provided guarantees for foreign banks to lend to the Danish customers. But the Cayman branches count as foreign banks for foreign exchange reserve calculations purposes, and thus the banks have been able to borrow in their own name through the Caymans for relending to

Danish customers. In the course of the past 12 months Danish Banks' foreign lending has thus risen from about Dkr 600m to well over Dkr 8bn.

The interest in foreign borrowing has also stood the foreign banks in Denmark in good stead. Five of them—Bank of America, Chase, Citibank, Standard and Chartered and American Express—have subsidiary banks in Copenhagen and several others have representative offices. None of them has gone in for retail banking, but they have been able to take a considerable share of the foreign business from the Danish banks.

As the Cayman initiative indicates, the Danish banks are responding to the challenge. They are also stepping up their own international engagements in other ways. Copenhagen Handelsbank joined three other Nordic banks in opening the first wholly owned Nordic consortium bank in North America, Nordic American Banking Corporation, based in New York. Privatbanken opened a branch bank in New York and also acquired the London-owned bank United International Bank. Danske Bank, Handelsbank and SDS (the largest of the savings banks) have also intensified their international operations.

While 1979 was a reasonably good year for the banks, prospects for 1980 are less promising. The high level of interest rates will hit their operating results as well as causing unrealised losses on securities, which under the Danish system are entered in the profit and loss account at their value on the final trading day of the year.

Over the longer term, however, the banks claim that their earnings will not be sufficient to enable them to achieve the necessary degree of financial consolidation. Over the last few years all the big banks have resorted to the use of subordinate loan capital to maintain the legally required minimum ratio of reserves to deposits and guarantees of 8 per cent, but in future they fear that either the Government will have to allow them to earn more or it will have to reduce the 8 per cent ratio, which is very high by international standards. Some banks may run into problems with the ratio as early as next year, say bankers.

FINANCIAL
HIGHLIGHTS

FIRST CITY NATIONAL BANK OF HOUSTON

Financial Position (In Thousands)	March 31	
	1980	1979
Total assets	\$ 6,533,663	\$ 4,830,779
Deposits	4,619,869	3,945,428
Loans	2,961,673	2,405,199
Shareholder's equity	271,957	243,117

FIRST CITY BANCORPORATION OF TEXAS, INC.

Financial Position (In Thousands)	March 31	
	1980	1979
Total assets	\$ 9,931,597	\$ 7,783,884
Deposits	7,524,655	6,464,725
Loans	4,695,748	3,965,880
Shareholders' equity	464,989	401,329

Operating Results	For the Three Months Ended March 31	
	1980	1979
Income before securities transactions	\$20,518,000	\$16,234,000
Per share	1.58	1.29
Net income	20,377,000	16,138,000
Per share	1.57	1.28

London Branch
50 Bishopsgate
2nd Floor, London EC2M 3SD
Telephone (44) 020-2691, Telex: 883355
Incorporated with limited liability in the U.S.A.
March C. Brown, Vice President and
General Manager

Middle East Representative Office,
Rabat
Moussat Center, Suite 505—Sector 1
P.O. Box 26222
Morocco, State of Rabat
Telephone (212) 529-977, Telex: 2411547
Rafid D. Karam, Assistant Vice
President and Representative

New York Representative Office, Tokyo
New Tokyo Building, Room 207
34 Marunouchi, Tokyo
California, Tokyo, New Japan
Telephone (81) 3-5561-5561, Telex: 122329
Shinichi Otsuka, Vice President and
Senior Representative

Singapore Representative Office
P.O. Box 557
Raffles Place, Singapore
Telephone (65) 222-2255, Telex: 25268
Edward D. Brown, Vice President and
Representative

Main Office
1001 Main Street
Houston, Texas 77002
P.O. Box 255777001
Telephone (713) 658-6678
Telex: FIRSTBANK 763429
Robert C. Howard
Executive Vice President



Member First City Bancorporation of Texas, Inc.,
a bank holding company with
41 member banks throughout Texas
Member FDIC

Landesbanken und Sparkassen

Introducing the 4 basic strengths
of Germany's largest banking sector:

Size. The Savings Banks

Organization is Germany's largest bank grouping with a combined business volume of almost DM 800 billion—a market share of some 40 per cent — and more than half of the nation's total savings deposits.

Operating within the system are 603 independent Sparkassen and 12 Landesbanken, as well as 13 Öffentliche Bausparkassen (Public Building Societies), which together maintain more than 17,000 offices and employ a staff of over 200,000.

Scope. The facilities and services of Germany's

Sparkassen permeate the entire economy, from the largest cities to the smallest rural areas. This pervasive coverage provides in-depth local expertise and invaluable client contacts at all levels of business and finance. In addition to their broad wholesale banking capabilities, the Landesbanken act as central banks for the Sparkassen in their region, and function as their clearing houses on a national level. In addition to their decisive role in this vast integrated domestic network, the Landesbanken add key international capabilities

through their own offices, participations, and correspondent links in the world's major financial centers.

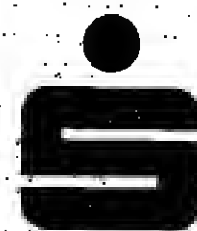
Solidity. All members of

the German Savings Banks Organization are public-sector financial institutions. The liabilities of the Sparkassen are covered by the cities and municipalities where they operate. In turn, the liabilities of the Landesbanken are covered by their state authorities and by the Sparkassen.

Service. Unlike savings

banks in many other countries, Sparkassen in Germany operate as local universal banks, providing both commercial and investment banking services. As an integral part of Germany's traditionally export-oriented economy, many Sparkassen transact considerable foreign business. Their facilities typically include letters of credit, documentary business, payments and collections, and guarantees. For larger scale foreign financing, the Sparkassen often work in tandem with the Landesbanken. Landesbanken in Germany are also universal banks special-

izing in wholesale banking services ranging from commercial and public-sector lending, project finance, and foreign trade finance to portfolio management, security dealing, and international finance — often arranging or participating in syndicated Euroloans and Eurobond issues. For refinancing purposes, the Landesbanken are authorized to issue their own bearer bonds. For more information on Germany's largest banking sector, just write to:



DEUTSCHER
SPARKASSEN-UND GIROVERBAND

4-18, Simrockstrasse
P.O. Box 1429
5300 Bonn 1/Germany

BANK



1873

BANCA DELLA SVIZZERA ITALIANA

HEAD OFFICE AND GENERAL MANAGEMENT: LUGANO

BRANCHES AND AGENCIES IN SWITZERLAND: Bellinzona, Chiasso, Locarno, Mendrisio, St. Moritz, Zurich, Agno, Airolo, Biasca, Faido, Giubiasco, Melide, Savosa, Tesserete, Viganello, Acquarossa, Bignasco.

AFFILIATED BANKS IN SWITZERLAND:

Adler Bank, Basle; Banque Romande, Geneva, Lausanne, Martigny.

BRANCH ABROAD: Nassau (Bahamas).

REPRESENTATIVE OFFICES ABROAD: Caracas, Paris.

AFFILIATED BANKS AND COMPANIES ABROAD: Banca della Svizzera Italiana (Overseas) Ltd., Nassau (Bahamas); Banca della Svizzera Italiana Securities Corp., New York; B.S.I. Services (Guernsey) Limited, St. Peter Port, Guernsey (Channel Islands); Compagnie Monégasque de Banque, Monaco; Société Européenne de Banque, Luxembourg.

WORLD BANKING XIV

Programme of cautious reform proceeds

FRANCE

TERRY DODSWORTH

THE CAUTIOUSLY reformist instincts of the present French Government are clearly illustrated in the development of the French banking sector in the last few years.

It has pressed ahead with changes designed to propagate the liberal economic ideas of M. Raymond Barre, the Prime Minister. But it has not liberalised too much. Indeed in some ways, notably in the now notorious credit ceilings growth system which limits the expansion of lending, the Barre Government has tightened its hold over the banks.

The main issues in the reform of French banking were set out last year in the unpublished, but well-known Mayoux report.

Prepared by M. Jacques Mayoux, a former director-general of Credit Agricole, the quasi-State farmers' bank, the report was sufficiently controversial to have found its way onto one of the Economics Ministry's dustier shelves rather than into an immediate Government Bill.

On both the issue of regionalisation and competition within the banking system, the Mayoux report's proposals served only to underline the preponderant weight of State direction in the French banking system.

Reconstruction

Since 1945, commercial banking has been dominated by the three banks—Banque Paribas, Credit Lyonnais and Société Générale—which were taken over by the state as part of the reconstruction programme after the war.

Alongside these operations, which rank among some of the largest banks in the world, the French system also embraces a large number of State and quasi-State institutions which have a central influence on the savings market and on lending.

The Credit Agricole was developed as a means of providing cheap finance in remote farming areas, sometimes served by a mobile banking office. The Credit National is designed to channel funds into industry, raising its own money on the fixed interest market but also channelling special Government credits.

In order to develop their activities, these organisations have been controlled through special privileges in return for

operating under certain constraints.

The Credit National's role in financing medium term industry, for example, is helped by the way the Government channels special credits through its branches, and the bank also has the right to discount the paper of the commercial banks with the Banque de France.

Until the mid 1960s, the banking system was also deeply split by another regulatory device, the division between the merchant banking type "banque d'affaires," which based their activities on industrial investment and were barred from accepting sight deposits, and the deposit banks, which were not allowed to take major shareholdings in industry.

Reforms brought in by M. Michel Debre, the then Finance Minister, swept away this distinction, opening up the system to greater competition and mobilising France's vast savings potential, which up to that time had been greatly underused.

The present Government's tentative reform efforts are designed to take some of the Debre measures a step further.

Once again, the idea is to take away some of the special privileges which have tended to hedge the banks into closely defined operational areas. The intention is to create greater competition between the banks which should, in theory, produce more efficient concerns better able to operate on the international scale.

Three main measures have been introduced so far. The first of these has been designed to bring the Credit Agricole more firmly into the "normal" banking system, subject to similar constraints. This objective is being achieved through taking away the bank's tax privileges, based on its co-operative character, so that it will begin paying tax on two-thirds of its "surplus."

In return, the bank will be able to break out of the straight-jacket which gave it the right to lend only to farmers in small

rural communities. It will now be able to move into the food processing industry (another target of Government support) and gradually into any kind of medium-sized enterprise.

The second measure was aimed at limiting the rapid expansion of the Credit Mutuel, one of the two main tax-free savings account organisations in the country. According to its critics, Credit Mutuel is growing at the expense of the rest of the banking system, because of its right to give tax-free interest on its deposits.

The Government has responded by prohibiting depositors from holding both Credit Mutuel accounts and conventional Post Office accounts. Thirdly, the banks are now adjusting lending ratios to bring the French system more into line with standard practice overseas.

Centralised

The difficulty in introducing more sweeping reforms lies mainly in the banking system basing on the State and on centralised planning in Paris.

Although France has several significant private banks—including Credit Industriel et Commercial, which claims to be the largest with 1,500 branches, Credit Commercial de France, and the Banque Paribas—the nationalised trio still dominate affairs, and they have rather special problems.

One of the difficulties is to increase their capital to meet the new reserve ratio targets. The solution arrived at by the Government was to persuade the banks to appeal for funds to the private capital market—they are legally entitled to do this for up to 25 per cent of their equity.

But after a successful issue of this kind by Société Générale, the policy came unstuck when Credit Lyonnais refused to play the game. The Government had to come up with a special debenture-type convertible loan, enjoying highly privileged interest rates, because the bank

argued that its own finances should be going into overseas developments.

A second problem lies in the inbuilt institutional limitations on the effort to give greater authority to banks in the regions.

The Mayoux report's strongest recommendation was that decision-making in the banks should be decentralised, and the Government is continuing to cajole the banks in this direction as a means of supporting local industry. The banks themselves claim to be responding. But there is a clear preference in favour of maintaining the strength of their Paris operations, both because of the expense involved in regionalisation and because of the influence of the Government's own decision-making administrative machine at the centre.

The third difficulty lies in the Government's "encadrement du crédit" system. Designed to limit the growth in bank lending by a fixed proportion every year according to the type of loan, "encadrement" is being steadily tightened this year to keep money supply growth within the Government target of 11 per cent.

The Government's reliance on this type of control rather than on interest rates or open market operations, is partly due to the existence of the European Monetary System.

The franc has been so strong within the EMS this year that there has been a danger that the authorities would have to bring interest rates down to maintain it at the right level against the Deutsche Mark. But the system is such that liquidity following the inflow of funds this year, so the effort to restrain lending has had to lean heavily on direct controls.

But "encadrement" also locks the banks into their established, historical lending patterns. The margin of growth is so small that it limits the possibility of new competitive ventures—and so of one of the Government's main objectives in banking reform.

As a result, most of the new pressures in French banking in the last few years have come from the development of foreign banks in France (5.6 per cent of total deposits of FF 642bn), and the growth of French banks overseas.

Politics weigh heavily

ITALY

RUPERT CORNWELL

IF EVER ANYTHING, on the face of it, were ripe for reform that something would be the Italian banking system.

Legally it still rests on a framework created in 1936, when fascism was at its height; structurally it is probably more fragmented than any comparable system in Western Europe. Legal ambiguities over the differing status of private and publicly owned banks have contributed to the wave of scandals that has rolled through the sector in the last two or three years.

Scandal

It is in a sense paradoxical that a system permitting so many irregularities, and whose reputation has sometimes been cast in doubt by scandal, should be headed by one of the most influential central banks in Europe, possessing some of the greatest regulatory powers.

Stranger still, the Bank of Italy has long been perceived as perhaps the ultimate guarantor of the country's financial respectability. Government come and go but the governor of the Bank of Italy usually remains: there have been only seven since 1900.

Invariably he has been a figure well above the maelstrom of party politics and a rigorous defender of the bank's independence and integrity.

In no case was this more true than with Dr. Paolo Baffi, who became governor in 1975, in the depths of the mid-decade Italian financial crisis.

By 1978 he had given Italy the test's largest balance of payments surplus, resuscitated the lira, and replenished the reserves, which in early 1978 had fallen to only \$500m.

Yet Dr. Baffi himself fell victim to scandal and intrigue, almost certainly a political plot mounted to curb the zeal of the Vigilance Department of the central bank in its investigation of bank lending.

Dr. Baffi was spared the indignity of a spell in prison for interrogation by examining magistrates only because of his advanced age. His deputy, Sig. Mario Sarcinelli, was less fortunate and suffered precisely that fate, before being completely cleared of any suggestion of wrongdoing.

Nonetheless the episode contributed to Dr. Baffi's decision to step down last year, and severely shook morale at the central bank.

If foreign and Italian observers, all utterly convinced of the propriety of the Bank of Italy's behaviour, were bewildered, then that is not surprising. One of the prime causes of the Bank of Italy affair—and of the more recent sensation when 30 bankers were

arrested one March dawn in connection with the Italcasse savings institute scandal—is the vast latitude given to examining magistrates.

Highly politicised, the magistracy is virtually a fifth estate of the Italian realm.

In the specified field of banking its powers are particularly sensitive because of the curious difference in the law as it pertains to private banks on the one hand, and public ones on the other.

The SIR and Italcasse affairs are perfect examples of this problem. In the case of Italcasse there are in fact two "scandals." The so-called "white funds" were lent by the institute to certain borrowers, perhaps unwisely but not illegally in any normal sense of the word.

Among the recipients of "white" loans were Sig. Borelli, whose SIR later collapsed in an ocean of debt, and the Calagrone brothers, whose own construction empire perished in the same way.

For these lendings, rash indeed as subsequent events proved, bankers could be—and in the case of 39 were—arraigned for misuse of public funds, by extending loans without proper guarantees.

But these "white" funds, which did appear on the Italcasse balance sheet, are separate from the institute's "black funds"—in essence a slush fund for political payments which never appeared on any record. The Italcasse "black funds" indeed are the extreme example of the sordid links which can be created between the banking system and politicians.

Not surprisingly the public sector banks are pressing for a new legal framework which could place them on the same footing as their private counterparts, while calls are mounting for a new law to govern political party financing.

The position of the public banks is all the more grave in that they are being called on to shoulder the lion's share of the burden of rescuing bankrupt industrial groups of which SIR is just one. Others include the chemical group, Ligugas, the Montedison fibres concern, and Sna Viasca.

Given the upheavals and uncertainties of the last couple of years, the Italian banking system has in fact shown itself remarkably resilient, but both the Prime Minister, Sig.

Francesco Cossiga, and the Treasury Minister, Sig. Filippo Maria Pandolfi, have on more than one occasion been forced to publicly reaffirm the solidity of the system.

Squabbling

But there are other political problems. Squabbling among the parties over who should fill public sector banking posts has meant that more than 60 local savings banks are without chairmen.

The signs, moreover, are that the practice of political division of the spoils (or lottizzazione as it is called in Italian) is spreading down the ladder to the key executive level of managing director.

In some respects the banking system, like many other aspects of Italy, is saved by its very

fragmentation. At the last count 1,069 banks and other credit institutions existed in the country. If the state controls the bulk of the system through the 120 banks and savings banks (including the very largest of all like Banca Nazionale del Lavoro, Credito Italiano, Banca Commerciale Italiana and Cassa di Risparmio della Provincia Lombarda) which handle 92 per cent of total deposits, the myriad of smaller banks provides a perfect link with the smaller local or provincial companies which are the backbone of the Italian economy.

There are 650 of these case rurali (or rural banks), plus a further 163 banche popolari, owned on a co-operative basis.

Perhaps the most dangerous reason for the complacency of the banks is the fact that for the average Italian, there is no alternative home for his savings. Exporting capital is both risky and less attractive than before, while the stock market is tiny and a haven only for insider trading. Along with property, a bank deposit account is the only real option open to the investor.

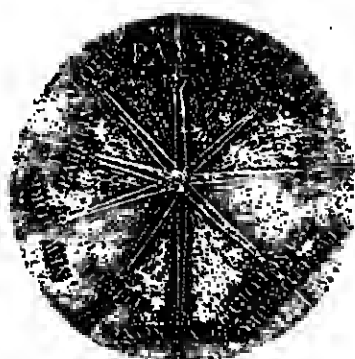
CASSA DI RISPARMIO DI MODENA

Established 1845

ALL DOMESTIC AND FOREIGN BANKING TRANSACTIONS

HEAD OFFICE 41100 MODENA
TELEX 510616 CRMO I
TELEX FOREIGN DEPT. 511502 CAMEST I
TELEGRAPHIC ADDRESS CASSA RISPARMIO
SWIFT ADDRESS CAMO IT 2M
18 BRANCHES AND 8 CITY AGENCIES
CAPITAL AND RESERVES OVER LIT. 62,000,000,000
DEPOSITS OVER LIT. 900,000,000,000
CORRESPONDENTS THROUGHOUT THE WORLD

UBAF.



ي.و.ا.ف.

UNION DE BANQUES ARABES ET FRANÇAISES-UBAF. BALANCE SHEET AS AT 31.12.1979 (IN FRENCH FRANCS)

ASSETS

	1978	1979
Cash in hand with banks of issue	606,616,638	513,436,844
Banks and financial establishments	10,042,233,876	11,055,795,967
Treasury notes and securities received as collateral or paid in cash	510,106,845	667,172,811
Credit to customers	2,244,136,802	3,074,451,010
Credit to customers-Overdrafts	46,388,240	56,806,000
Cheques or bills for collection	17,511,752	40,566,905
Suspense accounts and sundries	894,012,382	526,240,056
Securities portfolio	184,133,623	228,253,498
Investments in affiliates and participations	18,027,923	43,250,446
Fixed assets	13,902,333	16,897,919
Shareholders or associates	50,000,000	
Total Assets	14,627,070,414	16,222,871,256

LIABILITIES

	1978	1979
Banks of issue	1,511,629,992	2,168,540,058
Banks and financial establishments	10,565,890,824	11,495,527,463
Customers deposits	766,039,104	1,157,770,705
Saving accounts	1,214,301	6,705,903
Cheques and bills to be paid after collection	17,511,752	40,566,905
Suspense accounts, provisions and sundries	943,215,486	488,236,699
Floating rate notes and convertible bonds	517,200,000	552,000,000
Reserves	54,368,955	63,523,523
Capital	250,000,000	250,000,000
Total Liabilities	14,627,070,414	16,222,871,256

The ordinary general assembly during its meeting of April 29th, 1980 at the head office at Naully-sur-Seine, has unanimously approved the accounts of the financial year ending 31.12.79, noted that the financial year resulted in a net profit of FF 30,195,567.65 against FF 26,264,472.50 for the previous year and fixed the total dividend at FF 21,041,000 against FF 14,750,000 in 1978.

The general assembly ratified the proposal made by the Board of Directors to appoint Mr. Ahmed Benani to the directorship which has become vacant due to the death of Dr. Fawzi El-Kalbi. The Board of Directors elected Mr. Ahmed Benani Vice-Chairman of the Board.

In accordance with article 22 of the articles of association and article 9 of the protocol of the bank, the general assembly ratified the proposal of the Board renewing the appointment to the directorship of Banque Exterieur d'Algérie represented by Mr. Soussia Belghoul, Faidin Bank represented by Mr. Ezzeddine Salem Al-Bahrani, Alahli Bank of Kuwait represented by Mr. Hussein Makki Al-Juma, Credit Lyonnais represented by Mr. Bernard Thiolon. Their duties will expire when the general assembly will have considered the accounts of the 12th financial year.

Outlook for earnings remains healthy

THE SWISS banking community is enjoying excellent health. Business is expanding fast and everything points to a system-wide improvement of earnings.

Although prospects are somewhat marred by the possibility of new regulatory measures, banks are generally feeling quite pleased with life at the beginning of the '80s.

The lion's share of banking business is in the hands of the Big Five. These are Swiss Bank Corporation, of Basle, the Zurich-based Union Bank of Switzerland and Credit Suisse, Swiss Volksbank (Berne) and Bank Len, also of Zurich.

Their share, which reached combined SwFr 215bn (\$124.3bn) at the start of this year, continues to grow. As universal banks, they are consolidating their already very strong position abroad and recently have been making inroads into some of the domestic operations in which the cantonal and regional banks have traditionally been very active.

While the big banks grew in balance-sheet terms by 12.4 per cent over the past year, the 29 cantonal banks expanded at only about half this rate. These banks are the closest Switzerland gets to state banking; even the National Bank, as the central monetary authority, is not nationalised.

Not least because of the increasing competition within Switzerland, the cantonal institutions are becoming much more universal in their approach. Some of them are looking at distributing part of their capital among the investing public.

The joint assets are a substantial Sw Fr 94bn (\$54.3bn) or more, or three times those of the 37 regional and savings banks—a group which has been growing at a rate of under 3 per cent.

Since the National Bank temporarily suspended its money-supply aims about 18

months ago, successfully concentrating its efforts on dampening the exchange rate, there has been plentiful liquidity for clients of the Swiss banking system.

The most noticeable result has been a marked upswing in bank loans. With the Big Five gaining a lot of ground, the total of outstanding domestic loans expanded by 9.5 per cent last year.

This was due largely to heavy demand for cheap mortgages and a rise in building activity following the long period of slack construction demand. The mortgage business is of key importance to Swiss bankers, since Switzerland has by far the highest mortgage debt per capita—over \$7,440.

If domestic loan business has burgeoned, foreign loan grants have rocketed.

Latest figures show a certain falling off in this sector, it is true, but annual totals for 1979 indicated a jump by no less than 41 per cent to Sw Fr 11.88bn (\$6.87bn) in new business. This meant that in net terms there were almost as many foreign as domestic loans granted.

Swiss banks were also closely involved with the increase in other forms of foreign borrowing. Bond loans totalled a record Sw Fr 5.2bn (\$3bn) and private placements Sw Fr 10.3bn (\$6bn) last year. Like bank loans to foreign clients, however, these borrowings have recently shown a downward trend.

As far as attracting deposits is concerned, Swiss banks have in the past months been faced

SWITZERLAND

JOHN WICKS

Referendum

While, generally speaking, the banks are about as sanguine as banks ever are in Switzerland, a number of questions continue to plague them.

The most long-standing is that of the referendum called by the Social Democrats to institute stricter controls over banking business. Although this motion stops short of scrapping the principle of banking secrecy and very far short of anything approaching nationalisation, it would have far-reaching effects for the banks.

At present, it seems unlikely that the bid will succeed. Quite apart from the fact that the new Finance Minister, Mr. Willy Ritschard—himself a Social Democrat—has indicated that he will join other cabinet ministers in opposing the motion, referenda on left-wing proposals tend to be defeated.

Another full-dress banking scandal in the next year or so, could make things look different of course.

Less unlikely is the introduction at some date of a so-called bank tax. A Social Democrat proposal for a 5 per cent withholding tax on interest from fiduciary accounts, was turned down in Parliament in autumn 1979.

At the same time, the Swiss Banking Commission is working on various proposals to tighten controls. One of these foresees a new method for calculating banks' capital fund requirements, details of which are in the process of being presented to the Government.

Since 1978 banks have had to supply the Commission with consolidated financial statements. The results have served the control body as a basis to re-think capital ratio criteria.

Nevertheless, not all banks are happy at the intention to place greater importance than hitherto on banks' assets in ratio calculations. Also, some of them will be affected by the new rules restricting banks setting up subsidiaries to increase loan potential without a corresponding increase in capital backing. The rules will probably come into force early next year.

Another outstanding problem is that of protection from loss of clients' deposits. Some protection already exists, but only in the form of preferred claims under bankruptcy for savings accounts of up to SwFr 10,000.

The 15 banks included in a Banking Commission report on insolvencies from 1971 to 1979, which led to creditor losses of nearly SwFr 1bn (\$578m) in all, accepted no savings accounts of this kind. The banking community sees this as proof that client protection is non-issue, the Banking Commission as an indication that what protection exists is irrelevant.

Boom years clearly over

THE STEADY rise in Dutch banking profits came to a halt over the past year as political and economic uncertainties increased internationally and the domestic economy faltered. Recent reviews by both the central bank and the Central Planning Office held out no hope of improvement in the short term and commercial bankers have been even more cautious than usual in their forecasts.

Private banks dominate the banking picture in the Netherlands, though a number of State or semi-State banks operate in areas such as the financing of local authorities and the water boards. The State also has a 23 per cent stake in Nederlandse Middenstandsbank (NMB), the number four in the banking league, though the bank operates on a purely commercial basis.

Three large banks jockey for

THE NETHERLANDS

CHARLES BATCHELOR

position at the top of the Dutch Bank Nederland (ABN) is currently leading. Abneme recently top in terms of total assets, with Fl 56.7bn (\$43.4bn) at the end of 1979, but less than Fl 3bn separate it from the Rabobank and Amsterdam-Rotterdambank (AMRO). NMB is only half the size of the big three, though it leaves the rest of the field well behind.

AMRO and ABN, which are the most comparable in terms of their activities, produced almost identical net profits last

year, while Rabo-Bank, with its vastly different structure, topped the profits league. Rabo-Bank is an agricultural co-operative which has steadily expanded into a general retail bank and is now developing its international operations. NMB too is flexing its muscles on the international scene on the basis of its domestic activities, which are traditionally aimed at the financing of small businesses.

While mergers have reduced the number of Dutch banks from 114 in the early 1960s to

only 20, the number of foreign banks continues to swell. There are 37 with full branches in the Netherlands, while a further nine have representative offices. The foreign banks now account for 13 per cent of the market in terms of total assets, though their share of the domestic market is smaller at 7 per cent.

The boom years are clearly over, though and both First National Bank of Chicago and Bank of Montreal have pulled out. The Chicago bank gave "contingent" as a reason for its move while Bank of Montreal revealed that the losses on its Amsterdam office had reached unacceptable levels. Lloyds Bank International has also been rethinking its policy in the Netherlands and has shut down its loss-making stockbroking and portfolio management activities.

The savings banks play an important part in the retail banking scene, accounting, together with the Post Office savings bank, for about 10 per cent of the total assets of all Dutch banks. The concentration process is continuing, with 15 small local banks recently deciding to link up in the form of a co-operative association rather than the full merger which has characterised the savings bank movement in recent years. There are now around 80 independent savings banks compared with 250 a few years ago.

Risk capital

The problem of the shortage of risk capital has absorbed much of the attention of Dutch bankers in recent months. Banks are prevented from taking a permanent holding of more than 5 per cent in non-banks.

Dr. Wim Duisenberg, a former Finance Minister and now a member of the board of Rabobank, proposed this limit should be raised to 10 per cent.

The central bank remains opposed to the idea, however, because of the additional risks involved, though Dr. Zijlstra, in his latest annual report, pointed out that temporary holdings of more than 5 per cent are possible. He also urged banks to form "participation companies" which would provide risk capital. This would increase the flow of funds to industry while allowing the banks to keep their distance from the business risks involved.

One reason for the central bank's opposition to a greater direct involvement of banks in industry is the deterioration in the bank's solvency ratio in recent years. Banks' assets amounted to 8.9 per cent of credits granted at the end of 1979 compared with the requirement of 7.5 per cent. The margin between available and required assets fell to 1.4 per cent and was narrower than at any time since limits were first applied in 1973. Despite an earlier plea from the central bank for the commercial banks to increase their equity capital only one bank made a share issue in 1979.

Dutch imports around Dfl. 115,000 million.
Dutch exports around Dfl. 100,000 million.



If you want some growth potential.
Use the inside bank: NMB Bank.

Dutch business offers vast growth opportunities to almost any kind of enterprise. Just a glance at Dutch trade shows that it is considerably more important than it sounds.

With the largest, busiest port in the world, its vast transit trade and multibillion imports and exports, Holland - although a small country - plays a significant role in world economy.

So when dealing with Holland, deal with the bank that knows Holland best: the NMB Bank.

Though NMB ranks number three

among commercial banks, it is number one with thousands of medium-sized and larger companies that form the backbone of Dutch business.

Because NMB finances a considerable amount of their business, it has gained an expert knowledge of international trade.

So, the next time you deal with Holland, turn to the NMB Bank and turn yourself into an insider.

NMB Bank, P.O. Box 1800, Amsterdam, telephone: 3320-5439111, telex: 11402. Balance sheet total as at 31-12-1979 Dfl. 40,508

million. NMB Bank has branches in New York and Canada. In Canada we operate a Finance Company and a Trust Company. In Zurich NMB (Schweiz) AG is at your service.

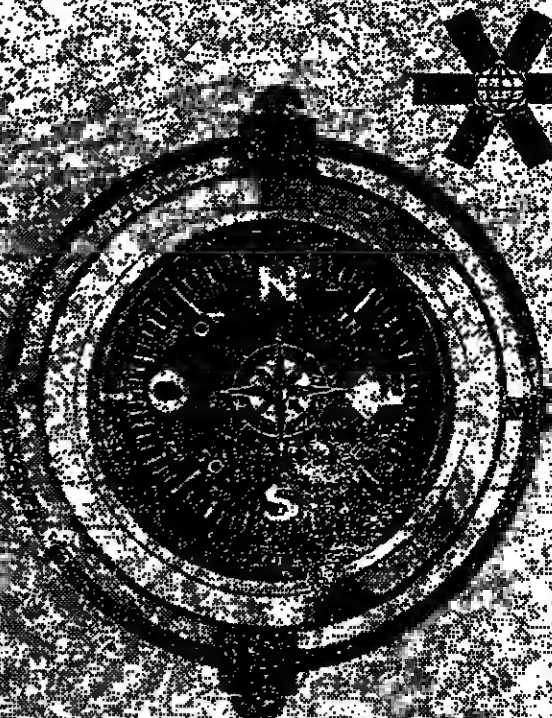
We are represented in London, New York, Bahrain, São Paulo, Paris, Mexico, Caracas, Singapore, Tokyo and Hong Kong. Member of the Inter-Alpha Group of Banks.

Contact our U.K. representative office: Mr. J. M. A. Yntema, NMB Bank, 25 Birch Lane, London, EC3V9DJ, telephone: 6238518, telex: 887047.

NMB BANK
NEDERLANDSE MIDDENSTANDSBANKING

GRUPPONORDEST

Banca Agricola Mantovana
Banca Popolare di Bergamo
Banca Popolare di Modena
Banca Popolare di Sondrio
Banca Popolare di Verona
Banca Popolare di Vicenza



a safe route with nordest!

Because in the North-East of Italy, six Popular Banks have united to form GRUPPONORDEST, thus creating an important partner for the extensive trade with NORTH-EASTERN ITALY.

GRUPPONORDEST with 343 branches, the strength of a greater association, and the close constant association with the big Enterprises as well as with the small operators, guarantees a sure reference for business relations with Italy.

GRUPPONORDEST
a safe landing

Italian Genius

Maybe it was in Roman times that Venetian glassmaking started. Or maybe new techniques and direction were learned from the Sarcen Workshops, around the 12th century. Unfortunately the history is unclear. But there remains no uncertainty about the genius of the Italians who create it, even to this day.

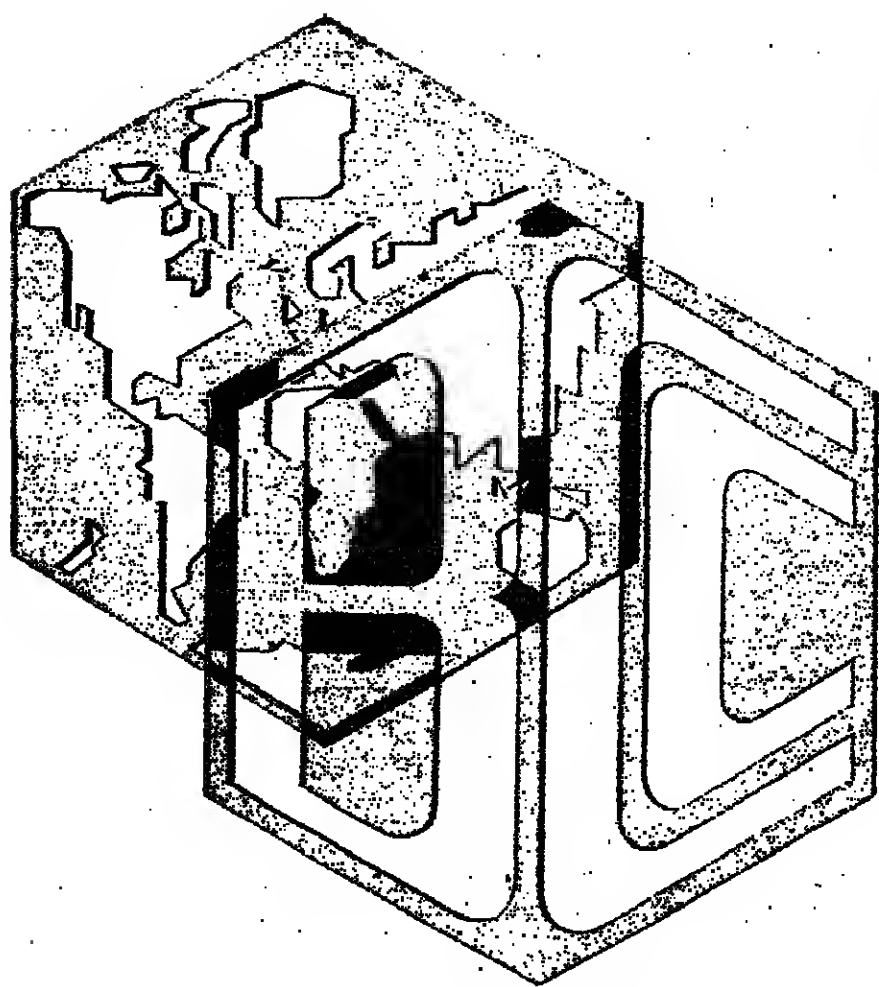
This genius has been flourishing from generation to generation for hundreds of years. From the earliest 15th century examples surviving to today's products, the craftsmen have used time only to perfect their art.

But perhaps that's a familiar Italian trademark. It's certainly one that Italy's foremost bank shows in following the traditions of the world's first paper money dealers from Venice. Today weat Banca Nazionale del Lavoro not only offer a full range of banking services, but also provide the communications contacts essential in international finance. Through our extensive network of offices we provide your link with the Common Market and the rest of the world.

And like the glass makers, who take such pride and care with their work, we believe our clients will find our services based on the same tireless qualities.

Banca Nazionale del Lavoro

London Branch: 33-35 Cornhill, London EC3V 3QD. Tel: 01-623 4222.
Head Office: Via Vittorio Veneto, 119, Rome.



The way to look at international banking is through BCC

The Bank of Credit and Commerce International was born international—a fact which has certainly helped its growth. The BCC Group now has offices in 41 countries. Capital funds stand at over US \$225 million and total assets exceed US \$3,900 million.

Whatever your international banking needs, a talk with your local BCC manager could be very useful. Speed, efficiency and your convenience are what count at BCC.

Contact us at any of our offices—there are 45 in the United Kingdom alone—or get in touch at the following address:



BANK OF CREDIT AND COMMERCE INTERNATIONAL UNITED KINGDOM MAIN OFFICE: 110 LEADENHALL STREET, LONDON EC3A 3AD. TELEPHONE: 01-33 836. TELEX: 810101.

Bahrain, Bangladesh, Canada, Djibouti, Egypt, France, Gabon, Germany (West), Ghana, Grand Cayman, Hong Kong, India, Indonesia, Ivory Coast, Japan, Jordan, Kenya, Korea (South), Lebanon, Liberia, Luxembourg, Mauritania, Morocco, Nigeria, Oman, Pakistan, Panama, Senegal, Seychelles Islands, Sierra Leone, Sri Lanka, Sudan, Swaziland, Switzerland, Togo, United Arab Emirates, United Kingdom, U.S.A., Venezuela, Yemen (North).

HYPOBANK INTERNATIONAL S.A.

... Euromarket specialists in Luxembourg



HYPOBANK INTERNATIONAL S.A. is a wholly-owned subsidiary of Bayerische Hypotheken- und Wechsel-Bank AG (Hypobank AG) in Munich, West Germany's oldest publicly-owned joint-stock bank and one of its largest with consolidated assets of more than DM 70 billion. Operating in Luxembourg since 1972, we are engaged in all major Euro-currency activities. Our capabilities include international financings through short and medium term loans, foreign exchange dealing, money market transactions, import-export financing, securities trading, investment advisory services, and precious metals dealing.

Over the past eight years, we have consistently strengthened our market position. Total assets in 1979 reached Lfrs. 715 billion (US \$ 2.5 billion) as compared with Lfrs. 56 billion (US \$ 1.9 billion) in 1978.

Earnings grew at a corresponding pace. Net profit in 1979 increased to Lfrs. 283 million (US \$ 9.8 million). Capital and reserves including total value adjustments exceed Lfrs. 2.15 billion (US \$ 74 million).

37, bd du Prince Henri
Case postale 453
Telephone: 4775-1
Telex: 1505 hypob lu
2628 hypfx lu



BANCA AGRICOLA COMMERCIALE DI REGGIO EMILIA

HEAD OFFICE Via Emilia S. Pietro 4
42100 Reggio Emilia
Telegrams: BANAGRICOM
Telephone: 0522-4651
Telex 530305 BACEST - 530865 BACFRX
Swift: BACRIT 22

REPRESENTATIVE OFFICE in Milano
Via Serbelloni 13 - 20122 Milano
Telephones: 02-792594/793143
Telex: 335669 BACMIL

45 BRANCHES in the provinces of Reggio Emilia and Modena

WORLD BANKING XVI

More freedom in the offing

NORWAY

FAY GJESTER

AFTER LIVING for decades under a system in which the state has regulated both the credit supply and the interest rate structure, holding interest rates at an artificially low level, Norway's banks are this year looking forward to a somewhat freer future.

Policy changes now on the horizon are expected to reduce the dominating role of the state banks in the credit market while market forces will be allowed rather greater play in determining credit supply and interest rate levels. One leading Norwegian banker has even suggested that Norway could follow Britain's example and lift restrictions on currency movements, since oil revenues will soon make the country a net capital exporter.

Over the past year, two reports have been published by independent government-appointed committees which have studied various aspects of the way Norway's credit market functions. One group concentrated on the market's structure, including the role of the state banks. The other concerned itself mainly with interest rate policy. Both reached conclusions which pointed the way to a modification of the present rigid system. Their recommendations are expected to be reflected in a government white paper on credit policy due to be tabled shortly.

The committee which studied credit market structure was chaired by Mr. Hermod Skeanland, a deputy governor of the Bank of Norway. Its report said the existing state bank system created inflationary pressure in the country by offering subsidised credit on a far

greater scale than was necessary to achieve desirable social goals.

The eight state banks provide cheap medium- and long-term loans for housing, agriculture, fisheries, industry, regional development and student education. Mostly because the terms they offer are so attractive, their share of the savings and commercial banks. Originally intended as a supplement to the private capital market, their lending now accounts for half the total credit supply. Political pressures make it easier for a Labour Government to cut private bank lending quotas, when the credit supply has to be curbed, than to limit lending by the state banks.

Cheap loans

The Skeanland committee pointed out that many of the people receiving cheap loans from the state banks could well afford to pay the market price for the credit they needed. Those who did need subsidised credit could be helped in other ways, it argued. There were limits to how sharply private lending could be reduced to make up for the state bank's steady expansion. All the various quota arrangements created to ration the credit supply led to a segmentation of the market which made it

difficult to pursue flexible credit policies, the committee pointed out.

The Government has already shown its agreement in principle with these arguments, by a decision, late last year, to transfer some housing finance from the state housing bank to the private sector, under special conditions. Though the proposed move was a modest one, affecting only 6,000 of the 36,000 houses and flats due to be started in 1980, it produced an outcry from the ruling Labour Party's Left wing, which described it as an attack on the policy of supplying housing at a "fair" price to working-class families.

The 15-member committee that studied interest rate policy, chaired by the director of the Central Statistical Bureau, Mr. Petter Jakob Elver, agreed unanimously that Norway should adopt a more flexible strategy in this field, allowing the cost of most types of credit to vary with supply and demand. The unanimity was impressive, both because of the committee's widely representative composition (including Labour politicians and industrialists) and because its conclusions involved a sharp break with the Labour Party's traditional low-interest policy.

Since the second world war, successive Norwegian governments—mostly Labour—have kept interest rates low. At first,

this was justified by the need to encourage investment in post-world war two reconstruction. Later it was retained as an easy way of keeping investments at a high level.

The negative consequences of the policy became apparent only gradually. It was inflationary, stimulating demand for credit, and as a way of redistributing income it was downright unfair. Reinforced by Norway's tax system, which allows deduction of interest payments on any kind of borrowing, it benefited borrowers at the expense of savers, and younger, well-off people at the expense of the poor and elderly.

Austerity

The low-interest policy was amended slightly in December 1977, as part of a package of austerity measures designed to curb consumption and encourage saving. The finance ministry relaxed its so-called "understanding" with the banks and allowed them to charge somewhat higher rates on advances. Rates on deposits also rose. Even then, however, the ministry said that regulation would be reimposed if rates rose too sharply.

Nine months later the banks' freedom of manoeuvre was again restricted temporarily by the imposition of a 15-month price and incomes freeze, which prevented them from charging higher rates for advances. Though the freeze has now ended, prices are still regulated and so far the banks have not been allowed to increase interest charged on advances. The amount they are allowed to lead is also subject to strictly enforced quotas. This is because of excess liquidity in the economy caused by the Government's inflationary fiscal policies.

Nevertheless, the degree of freedom granted in 1977 has strongly stimulated private saving. The banks took advantage of it by marketing new types of savings schemes designed to attract long-term deposits, and most of these were very successful. Nearly all Norway's banks reported big increases in deposits during 1978 and 1979.

The appeal for a bonfire of currency controls, as soon as Norway's external economy moves into surplus, was made

in a speech last month by Mr. Johan Melander, retiring president of Den Norske Creditbank (DNC), Norway's largest commercial bank. As DNC's president for the past 25 years, Mr. Melander has had a lifetime's experience of the distortions created by excessive Government regulation of the currency and credit market. He maintains that less inflationary fiscal policies, coupled with higher interest rates, could quickly eliminate the need for credit controls. Demand would shrink and supply would increase.

As for currency controls, these will be superfluous as all revenues begin pouring in, and Norway becomes a net capital exporter. When repayment has been completed of the state's foreign debt, now standing at about \$6.4bn, oil earnings should be channelled abroad to avoid cost inflation in the domestic economy which would destroy the competitiveness of Norwegian industry. A good way of doing this, Mr. Melander says, would be through state investment in the foreign subsidiaries of Norwegian banks. This would help the banks to service Norway's shipping, manufacturing and offshore industries overseas, while at the same time keeping control of Norway's oil money in Norwegian hands.

Benefits

The economic benefits of abolishing currency regulation would be manifold, Mr. Melander argues, including the Norway and the world economy. They would mean more than offset any possible loss as a result of increased tax avoidance, following the change.

DNC's undisputed position as the largest Norwegian commercial bank is threatened by the forthcoming merger of two other banks. These are Christiania Bank OG Kreditkasse, until now No. 8 on the banking scene, and the smaller, crisis-hit Andøysbank, which for two years running has had to pass dividend because of heavy losses on bad loans. When the merger is completed, next month, the new merged bank will have assets roughly equal to DNC's. The latter will try to keep its No. 1 position, Mr. Melander said last month. "It's good for business," he pointed out.

Entry to EEC will herald changes

GREECE'S formal accession to the EEC from January 1, 1981, will herald further internationalisation of the country's banking system.

Greek banks are expected to undertake a greater share of international business particularly in foreign exchange. And Greece is likely to become a more attractive market for European banks.

Meanwhile, an Interbank foreign exchange market is to be created next June or July as a first step towards liberalising the foreign exchange market in Greece. This is part of new arrangements for external transactions to allow Greece's eventual participation in the European Monetary System.

Greece's accession to the Common Market as the community's tenth member does not oblige her to participate in the EMS. But it is recognised in Athens that a major prerequisite for participation would be a reduction of the current inflation rate to average EEC levels.

Inflation reached 24.5 per cent last year and the Government's target is to bring down this year to about 15 per cent. According to present indications, a level around 20 per cent would be a more realistic estimate.

The banking system represents the principal source of financing in Greece, where the stock exchange plays a minor role. The banking system's weaknesses stem from complex state controls, old-fashioned methods and the high cost of services.

The State exercises fairly tight control of banking, largely through the monetary committee, which lays down general rules for bank lending, sets maximum interest rates, controls foreign exchange transactions, and grants operating permits for Greek and foreign bank branches.

Its overall aims are the proper distribution of available resources towards financing industrial investment and exports and discouraging luxury imports and excessive consumer credit. In addition to exercising control through the monetary committee, the State controls the Bank of Greece, which is the central bank and bank of issue, and owns the Agricultural Bank of Greece, the Hellenic Industrial Development Bank, the Post Office Savings Bank and a number of other specialised institutions.

The state also exercises extensive control over the vital commercial banking sector, which constitutes the backbone of the banking system.

At the annual shareholders' assembly of the three largest commercial banks, the Government's delegate in fact represents the majority of shares, owned by pension and trust

funds, and appoints the top management.

These banks, the National Bank of Greece, the Commercial Bank of Greece and the Ionian and Popular Bank of Greece, in turn control a number of smaller banks, insurance companies and industrial, commercial and tourist enterprises.

The three largest commercial banks and their affiliates handle about 80 per cent of total commercial banking business. The National Bank, one of the world's largest banks, has more than 300 branches throughout the country and handles about 55 per cent of total business.

International

Three other privately owned banks are the Credit Bank, Ergobank and the Bank of Crete. The recently established Arab-Hellenic Bank operates under the conditions laid down by the currency committee in May 1979 for offshore banking operations in Greece. Its US\$15m capital is jointly owned—40 per cent by the National Bank of Greece, 30 per cent by a Libyan bank and 30 per cent by Kuwaiti interests.

International banks have been attracted to Greece since the country became an associate of the EEC in the early '60s, despite the smallness of the local market and strict foreign exchange regulations that precluded, among other things, transactions in Eurodollars.

Apart from offering the usual banking services to Greek and international clients, foreign banks have taken advantage of the large-scale Greek shipping and tourist traffic in transacting many worldwide operations.

Fifteen foreign banks are now offering full commercial banking services. Seven are North American, four British, one French, one Dutch and two Middle Eastern. Arab Bank Limited is the latest addition to the list.

With the freedom of establishment of European Community enterprises, due to become effective next January, it is expected that a number of French and West German banks will establish branches in Greece. Banque de Paris et Des Pays Bas and Societe Generale (of Belgium) which received approval in 1979 are expected to open branches this year.

Foreign banks handle about 11 per cent of total commercial bank deposits and 14 per cent of total credits. One of the practical contributions of foreign banks has been to spur

GREECE

A CORRESPONDENT

funds, and appoints the top management.

These banks, the National Bank of Greece, the Commercial Bank of Greece and the Ionian and Popular Bank of Greece, in turn control a number of smaller banks, insurance companies and industrial, commercial and tourist enterprises.

The three largest commercial banks and their affiliates handle about 80 per cent of total commercial banking business. The National Bank, one of the world's largest banks, has more than 300 branches throughout the country and handles about 55 per cent of total business.

International

Three other privately owned banks are the Credit Bank, Ergobank and the Bank of Crete. The recently established Arab-Hellenic Bank operates under the conditions laid down by the currency committee in May 1979 for offshore banking operations in Greece. Its US\$15m capital is jointly owned—40 per cent by the National Bank of Greece, 30 per cent by a Libyan bank and 30 per cent by Kuwaiti interests.

International banks have been attracted to Greece since the country became an associate of the EEC in the early '60s, despite the smallness of the local market and strict foreign exchange regulations that precluded, among other things, transactions in Eurodollars.

Apart from offering the usual banking services to Greek and international clients, foreign banks have taken advantage of the large-scale Greek shipping and tourist traffic in transacting many worldwide operations.

Fifteen foreign banks are now offering full commercial banking services. Seven are North American, four British, one French, one Dutch and two Middle Eastern. Arab Bank Limited is the latest addition to the list.

With the freedom of establishment of European Community enterprises, due to become effective next January, it is expected that a number of French and West German banks will establish branches in Greece. Banque de Paris et Des Pays Bas and Societe Generale (of Belgium) which received approval in 1979 are expected to open branches this year.

Foreign banks handle about 11 per cent of total commercial bank deposits and 14 per cent of total credits. One of the practical contributions of foreign banks has been to spur

Greek banks to modernise their operations.

Mr. Constantine Mitsotakis, the Minister of Co-ordination, recently agreed that the country's banking system needs reform to make the cost of its operations competitive with foreign banks.

Funds for this market will be derived from compulsory deposits which commercial banks, post office savings banks and insurance banks are required to keep at low interest with the Bank of Greece.

These recommendations, it is argued, will rationalise the distribution of credits granted by specialised institutions, particularly for long-term investment and housing needs, and restrict the present financing of Government expenditures by the issue of paper currency.

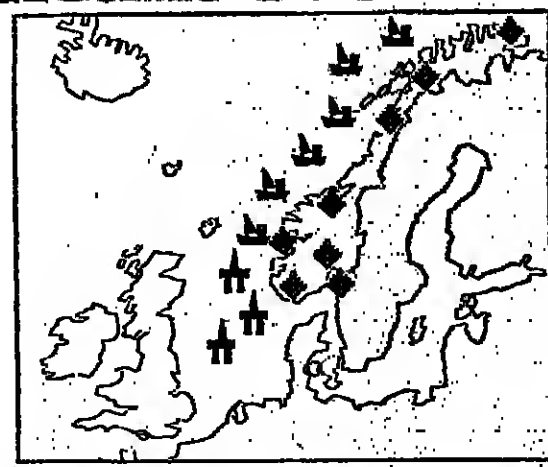
Professor Xenophon Zolotas, governor of the Bank of Greece, has said the monetary authorities intend to liberalise lending rates when the overall economic situation permits so that their level and structure reflect market conditions.

They also intend gradually to liberalise interest rates on deposits they accept and to determine interest rates. A first step in this direction was the liberalisation of interest rates on dollar and sterling deposits.

The banks' financing ceilings

CONTINUED ON NEXT PAGE

Norway means business.



A unique position in Norwegian banking.

Being one of the largest commercial banks in Norway, the Union Bank of Norway Ltd. is also the central bank for the Norwegian savings banks. Through our regional offices and through more than 1100 savings banks offices, we are in a rather unique position to give you special service in the Norwegian market.



Kristiania 14-16, P.O. Box 426 Sentrum, Oslo 1. Telephone: 0272 437538.

INDIAN OVERSEAS BANK

We speak your kind of language. Internationally.

One of the fastest growing nationalised banks in India, IOB has been part of the international banking scene for over 40 years. Offering world-wide banking operations with just the right blend of professional expertise and personalised service.

Our range of services includes:

- Assistance in setting up joint ventures.
- Export-import credit.
- Trade & credit information.
- Finance for turn-key projects.
- Off-shore finance.
- International loan syndications.



Indian Overseas Bank
Central Office: 762, Anna Salai, Madras 600 002, India.

105/174/78

WORLD BANKING XVII

Overburdened by heavy State spending

BELGIAN financial markets have been beset by a growing illiquidity which has helped push up interest rates.

Traditionally, Belgium has been good to bankers. With a national savings rate of around 17 per cent of income, Belgian banks have long been swamped with comparatively cheap deposits. Borrow short and lend long was not so much a plea of good advice as the Belgian banking sector's enduring motto.

International banks were also attracted by the magnet of Belgium's position among the world's top ten export nations and at the heart of the EEC, so that during the past 20 years the number of major international banks present in Brussels has grown fourfold to almost 60.

In terms of banks' external balances, Brussels claims to be fourth in the league of world financial centres with those of Tokyo and Milan.

The snag is that, in domestic terms at any rate, the Belgian banking system is now on the

slippery slope of an inverted yield curve. Some bankers argue that this will be a fairly short-lived phenomenon, for Belgium is still a wealthy country, but others say recovery will remain blocked by political difficulties.

The country's latest political crisis, which began on April 9 with the resignation of Prime Minister Mr. Wilfried Martens over the Flemish-Walloon language issue, has set back the Government's attempts to control public spending. Mr. Martens is currently caretaker-Premier charged with attempting to form a new coalition, but even if he does so his chances of making a major impact on the adverse trend in the state's finances during 1980 are reckoned slim in Brussels political circles.

The ratio between Government spending and Gross Domestic Product (GDP) is rising inexorably. In 1979 that ratio was 46.9 per cent; last year it reached 53.1 per cent. The EEC average, which moved only slightly upwards during the period,

For the same five years the net deficit of the Belgian public sector increased from 4.4 per cent of GDP to 7.4 per cent.

Paying for the Belgian State's spiralling spending has imposed heavy burdens on the banking system and the domestic capital market.

The Government last year reversed its 10-year standing rule against foreign borrowing and raised around BFR 70bn abroad because private sector industry was being starved of investment funds. This year that level of foreign borrowing could hit BFR 100bn, yet there are signs that domestic lenders are still finding Belgium's gifts burdensome and unattractive. According to some Brussels bankers, BFR 560bn worth of Government paper has now been discounted in the secondary market and a recent state borrowing on the domestic market was dropped because of poor response.

One of the major factors contributing to the Belgian banks' mounting irritation is the current dislocation of interest rates. Short-term rates are higher than

BELGIUM/LUXEMBOURG

GILES MERRITT

longer term ones, so the financial institutions are in the unwanted position of borrowing short at a higher rate than they can lend long.

The Association des Banques Belges was recently moved to complain, when the discount rate was lifted to 12 per cent before it was dramatically raised in late March by a further two points to an all-time 14 per cent record, that "there is no longer any room for manoeuvre" in the economy.

Indeed, subsequent indications are that Belgium's efforts to stem the outflow of capital are not working. The problem is chiefly neighbouring Holland, for the interest rates on sight

deposits and savings are substantially higher than in Belgium—around 13 per cent as against up to 7 per cent—and the effort has been to mop up Belgium's smaller deposits at an alarming rate.

Squeezed between dwindling deposits and the continuing demands of the state, the banks are reportedly being forced more and more into the inter-bank market. It is, too, particularly galling for Belgian banks to find themselves paying around 17 per cent for funds from the major Dutch banks in the knowledge that in part they consist of Belgian money that might have been deposited with them at 6-7 per cent.

The major Belgian banks—which means to effect the Big Three—Société Générale de Banque, Banque Bruxelles Lam-

bert and Kredietbank—have all managed to record improvements in their total balance sheets and in net profits.

Société Générale de Banque last year, pushed its balance sheet up by 14.5 per cent to BFR 856bn, with profits up 11 per cent to BFR 1.89bn. Banque Bruxelles Lambert announced that its balance sheet had risen by 16.3 per cent and now topped BFR 600bn, with 1979 net profits up 12.6 per cent to BFR 705m. Kredietbank, where the reporting period ends on March 31, revealed last November that at the end of its first half the balance sheet had reached BFR 408bn, up 16 per cent from mid-1978.

Not all banking in the economic union that links Belgium with Luxembourg, though, is so vexed by the problems. For Luxembourg's rise as a financial centre has made the tiny landlocked Grand Duchy just 300 km to the south of Brussels a magnet for international banks.

Only 15 years ago a mere 20 banks made up Luxembourg's financial sector and their emphasis was chiefly on domestic busi-

ness; their combined balance sheets totalled LuxFr 47.5bn. By the early 1970s the number of banks had almost doubled, while the total amounts of their balance sheets had swollen as part of the new "offshore" phenomenon to around LuxFr 1,000bn.

Today, thanks to Luxembourg's development as a major centre for the Euro market and for portfolio investment, the Duchy's banking sector has, in terms of activity, recorded a hundredfold growth since the mid-1960s. By the end of last year the 108 banks operating in the Duchy had passed a combined balance sheet mark of LuxFr 3,000bn. To underline the point, it is perhaps worth pointing out that that total of about \$100bn compares remarkably well with the \$280bn balance-sheet total of all the foreign banks currently operating in the City of London.

Belgium's own attitude towards the Luxembourg miracle is, to put it mildly, ambivalent. On the one hand the Belgian State welcomes the extremely

positive contribution that the Duchy's banking sector makes to the joint balance of payments of the Belgian-Luxembourg Economic Union (BLEU). On the other it tends to be deeply mistrustful of the effects of Luxembourg's strict banking secrecy laws and separate fiscal regime on its own banking system and its tax net.

There are no workable controls on currency movements across the long land frontier between Belgium and Luxembourg, and all the signs are that undeclared deposits, both personal and even corporate, represent a drain on Belgium. Defenders of the present position argue that Belgian francs deposited in Luxembourg should be deposited in Luxembourg accounts do not affect the overall "monetary mass" of the BLEU, but not so long ago the Belgian regulatory authority, the Commission Bancaire, was moved to warn Belgian banks operating in both States that it is a serious offence even to advise clients in Belgium of the advantages of depositing money in Luxembourg.

Conditioned by EMS membership

BANKING IN IRELAND has been conditioned and is being transformed by the Government's decision just over a year ago to enter the European Monetary System while the UK decided to stay outside.

This has effectively ended Ireland's historic 150-year-old link with sterling, and meant that the central bank and the branch banks had a greater degree of control over interest rates.

Since March last year when the EMS started to operate, the central bank has become more interventionist in the banking system. It has laid down more stringent credit guidelines than it used to, and started to reform the wholesale side of the banking business.

Central bank officials have argued that a tougher stance has been necessary because of the greater discipline involved in being effectively part of a fixed interest rate structure, which is what Ireland has

IRELAND
STEWART DALBY

become by joining the EMS.

Before Ireland joined the EMS the punt was linked at parity with sterling, which meant that for all intents and purposes Ireland was as much a part of the sterling area as Liverpool or Wales.

Borrowers in Ireland had automatic access to what for them was a vast reservoir of funds in sterling. Interest rates in Ireland, including those on Government bonds, had to stay close to those prevailing in London, or perhaps a 1/2 to a 3/4 per cent better than those in London, if deposits were to be attracted.

The period immediately preceding membership of the EMS

was a time of rapid expansion of the Irish economy. Part of this expansion was Government stimulated with public sector spending increased and easy credit available from the banks.

It led by the end of last year to a huge balance of payments deficit on current account, which meant deflation became unavoidable. This, coupled with the discipline involved in the EMS, led to tighter credit. Before then the banks in Ireland did better business, as the table partly shows and made good profits from the easy credit policy. In 1978-79 for example, credit grew by 36 per cent.

There are four main retail or "associated banks" as they are

known. The largest is the Bank of Ireland. The other purely Irish bank is Allied Irish. The Ulster Bank is a subsidiary of Britain's National Westminster and the Northern Bank maintains a similar relationship with the Midland Bank.

The Northern and the Ulster Banks conduct about half their business in Northern Ireland and the UK and the rest south of the border.

Apart from the four main associated banks, which handle some 49 per cent of all retail or over the counter business, there are forty other non-associated banks. These range from retail banks to merchant banks and include some foreign banks like Banque Nationale de Paris and Bank of America.

Having an independent currency has meant expansion of foreign exchange business.

Two areas where the associated banks differ from the non-associated banks are interest rates and liquidity ratios. The associated banks operate at a controlled cartel. The four operate through the joint standing committee which fixes rates for all four. The liquidity ratios kept with the central bank also also differ for associated and non-associated banks.

While profits soared ahead until the end of last year, the picture began to change this year.

Correct

Ireland had imposed exchange controls at the end of 1978. But the Bank of England did not find it necessary to impose controls against sterling going into Ireland and then possibly out again, thus creating a "Dublin gap." In view of the

strength of sterling this has turned out to be the correct decision.

Ireland hoped when it joined the EMS that the link with sterling would be maintained at parity. With sterling strengthening however, Ireland met its European obligations. Staying with sterling would have meant breaking the ceiling Ireland's pound is allowed within the EMS. So the link was broken.

With the exception of one day the Irish pound has stayed below sterling at one point touching 87p. There has thus been little pressure for holders of sterling or dollars to invest in Irish pounds either directly or through Irish gilts. The currency is so small moreover that there has been little speculation. The comparative weakness of

PROFITS OF THE ASSOCIATED BANKS
(£m before tax)

	1974-75	1975-76	1976-77	1977-78	1978-79
Bank of Ireland	18.1	25.5	32.5	42.8	46.9
Allied Irish Banks	15.0	16.4	23.0	34.5	41.0
Ulster Bank	6.4	6.4	7.2	10.8	13.2
Northern Bank	7.8	8.9	9.4	9.3	11.1
TOTAL	47.3	57.2	72.1	97.3	112.2

Note: Bank of Ireland and Allied Irish Banks account to year-end March 31. Ulster Bank and Northern Bank use the calendar year.

the Irish pound against sterling coupled with the repatriation of borrowings from abroad and a tighter credit line from the central bank meant that money in Ireland was extremely tight for most of 1979 and the early part of this year.

The central bank decreed that to prevent renewed inflation, imports and pressure on the Irish pound, credit was not to increase by more than 18 per cent in 1979. Any bank exceeding this had to place

special deposits with the central bank at punitive low interest rates. This year the guideline has been set at 13 per cent.

One result has been that it has become virtually impossible to obtain personal loans for things like car purchases, and very difficult indeed to get bank loans for houses. Personal lending is not supposed to rise above nine per cent, allowing lending for industrial purposes to go above the 13 per cent guideline.

Greece

CONTINUED FROM PREVIOUS PAGE

are now determined automatically, rather than by government decision, on the basis of the liquidity arising from deposits. Commercial banks are now obliged to deposit with the Bank of Greece a proportion of their deposits in foreign exchange as well as in drachmas.

This has particularly affected foreign bank branches, which traditionally have a high proportion of deposits in foreign currencies.

A prolonged bank employees' strike at the beginning of this year drew attention to the power of a small but stubborn trade union with about 35,000 members to all but cripple the country's monetary transactions.

The strike was called over working hours and promotion regulations; though pay adjustments were also brought in. It had adverse effects on trade and credits that will inevitably show in banks' next balance sheets. Among other effects were a substantial loss of deposits and excessive money circulation.

After the strike was over, drachmas 2.7bn in deposits flowed back to the banks in the second half of March. By April the situation had practically returned to normal, though there was still an enormous backlog of transactions to handle.

If anything, the strike also helped to emphasise the high cost of salaries as well as the limited automation services.

Greece's accession to the Common Market will compel Greek banks to think and act internationally. In the process, they will have to streamline their operations and give up many cumbersome practices. This will increase their competitiveness, putting them in a better position to service clients at home and abroad and join the Eurocurrency and other international markets.

Accession will inevitably spur Greek banks to enter such fields as foreign exchange markets, leasing systems, and even merchant banking for the first time.

It is a challenge which, in all likelihood, they will be able to meet. Reuter

BANQUE INTERNATIONALE
A LUXEMBOURG

Another successful year for BIL

Assets	Lux francs million	US\$ million
Cash and banks at sight	23,658	788
Banks at term	33,138	1,105
Bills and notes	6,913	230
Loans and advances	30,490	1,016
Securities	2,759	92
Fiduciary accounts	2,386	80
Miscellaneous	2,765	92
Fixed assets	2,040	68
	104,144	3,471

Liabilities	Lux francs million	US\$ million
Current liabilities		
- Due to banks	27,592	920
- Customers' deposits	65,741	2,191
Miscellaneous	4,485	149
Fiduciary accounts	2,386	80
Shareholders' equity and borrowed capital	2,759	92
Provisions	848	28
Available profit	280	10
	104,144	3,471

Consolidated Balance Sheet as at December 31, 1979.

- Total assets of Lfrs. 104.1 billion, representing an increase of 22% with regard to 1978.
- This exceptional growth is due above all to the customers' deposits which were more than 30% up on last year.
- Own resources reaching Lfrs. 2.8 billion.
- Net profits of Lfrs. 290.8 million as compared to Lfrs. 260 million in 1978.
- Same dividend as in 1978 (Lfrs. 229.41 by share; Lfrs. 195 net of withholding tax) after a capital increase from Lfrs. 1,038 million to Lfrs. 1,300 million.
- Société Générale de Banque, founded in 1855, only private bank in Luxembourg with the privilege of issuing bank notes, Banque Internationale à Luxembourg is a first-rate bank of Luxembourg-City, one of the foremost financial centres.
- Member Bank of Associated Banks of Europe ABECOR, the world's largest banking group, covering a network of more than 11,400 offices in some 120 countries, and combining assets exceeding 340 US\$ billion.
- Representative offices in Singapore and New York.
- Specialized in bond issues and loan syndications denominated in major currencies, with wide experience in foreign exchange and money market transactions as well as in portfolio management and in the domiciliation of holding companies and investment trusts.
- Banque Internationale à Luxembourg is offering you the full range of international services through three of the leading financial centres in the world.



société anonyme
fondée 1855
Luxembourg, boulevard Royal 2
Téléphone: 47311
Téléc: 9408 & 9429 biar lu

Different names, different places, different markets
One great signature:
Société Générale de Banque

A signature is an expression of personality. Société Générale de Banque, although one great international bank, has a multitude of personalities, because the key to business success in the international economy is close, personal knowledge of local markets. This means knowing the country, knowing its customs, knowing its influential people. And always remaining flexible and inventive. These are the essential qualities of the people of Société Générale de Banque and its affiliates and subsidiaries round the globe. Wherever we are - wherever you are - we speak your language: the language of international business; the language of the country; and the language of the local economy. Operating effectively in the international economy is a natural outgrowth of our national and geographic heritage. Based in Brussels - heart of the European Common Market and hub of international business - Société Générale de Banque is Belgium's leading bank and thus the leading financial institution of perhaps the world's most export-oriented country. International credit, foreign trade financing, foreign exchange, bond issues, Eurocurrency transactions, are almost second nature to us.

Call on the man from Société Générale de Banque. Wherever you are, whatever you need, he is there to solve your banking problems. In London, Paris, Tokyo, Hong Kong, New York... and in over 30 countries round the globe.

Generale Bankmaatschappij
Société Générale de Banque

Belgium's leading bank - 16 regional offices and over 1150 branches in the country. Also represented in key business centres throughout the world. For further information, concerning our international network, contact:
Société Générale de Banque
International Division
Montagne du Parc 3,
1000 Brussels, Belgium
Tél.: 22728 getz b
Tél.: 2-513 65 25



• Africa: Abidjan, Bujumbura, Dakar, Kigali, Kinshasa... • Asia: Bangkok, Bombay, Hong Kong, Jakarta, Karachi, Kuala Lumpur, Manila, Seoul, Singapore, Tokyo... • Australia: Melbourne, Sydney... • Latin America: Belo Horizonte, Brasilia, Buenos Aires, Mexico City, Rio de Janeiro, São Paulo... • Middle-East: Beirut, Tel-Aviv... • North America: Chicago, Los Angeles, New York, San Francisco...

for your transactions with Portugal make use of our long experience



139 Branches in Portugal

LISBON (Head Office) - Rua Augusta, 24
Tel. 36 99 81/9 - 36 99 91/8 Telex 12 187 - 12 188 - 13 585/7

REPRESENTATIVE OFFICE IN UNITED KINGDOM

1/3 Abchurch Yard - London EC4N 7BH

Tel. 01-623 9569 Telex 887 477

MACAO - Av. Almeida Ribeiro, 2

Tel. 3706 - 3904 - 3921 Telex 0202

AFFILIATED BANKS

BANQUE FRANCO - PORTUGAISE - 8, Rue du Helder - 75428 Paris Cedex 09

Tel. 523-30-40 Telex 65 558

BANQUE INTERATLANTIQUE - 8, Rue de la Grève - Luxembourg

Tel. 2 29 22 Telex 2398 - 2898

THE BANK OF LISBON AND SOUTH AFRICA, LTD. 1st floor, Bank of Lisbon Building

37, Sauer Street, Johannesburg - South Africa

Tel. 836-7091 Telex 43-0076

BANCO NACIONAL ULTRAMARINO

since 1864

PORTUGAL MOVES INTO THE FUTURE

The stabilisation programme that was introduced over the past two years has resulted in a clear turn-around in the balance of payment. From \$1.5 billion in 1977 the current account has registered in 1979 a surplus of about \$150 million. This was accomplished through the introduction of a "crawling peg" exchange rate system, a ceiling on salaries' increases, a monetary programme to control total domestic credit and an increase in interest rates. The substitution effects between non-traded and traded goods have been quite strong and Portugal has been able to maintain a gross domestic product growth rate comparable to the OECD average (3.7 per cent).

But the policy of dearer and rationed money has brought about a slowdown in investment activity, both public and private. That is one reason why the present Government considers the turn-around in fixed investment a top priority. The 1980 Plan forecasts a 6 per cent growth rate for fixed investment. Public sector investment will increase substantially. However, most of the effort towards increasing exports and creating employment has to come from the investment of private firms.

The big push in investment is also needed to create new capacity—since the existing one is almost fully utilised—to accelerate GDP growth rates in the future, to internalise the benefits of technological transfer from abroad and, in general, it is indispensable for generating the change in productive and technological structures badly needed for the forthcoming entry into the European Economic Community.

Several measures have already been taken or are about to be taken to promote domestic and foreign investment. The Government is seeking to restore international confidence by honouring nationalisation debts. The first group to be paid will be foreign capital. Studies are almost complete on the full value of foreign property nationalised. The Government is also studying the conditions under which the resulting bonds can be mobilised for investment purposes. Interest will be backdated, though not immediately paid in full.

The Government is also preparing a simple non-discriminatory system of incentives for fixed domestic and foreign investment. This will comprise a package of financial (reduction in interest rates) and tax incentives (tax reductions). The level of incentives will depend on the project's contribution to solve present Portuguese problems. These will include the contributions to further economic growth, to the balance of payments, to increased employment and to correct regional imbalances. Financial incentives has started to be implemented since last year. These had a cost of about Esc 5 billion to the Banco de Portugal. The Government has also given quite substantial benefits for several important foreign direct investment projects.

In the public sector, the Government is preparing plans for some important projects. The sectors selected are in the energy field (four new hydro power stations in the north), the steel industry (adding another 1 million tons to capacity), mining (to include the development of pyrites in Alentejo), transportation (renovation of the air fleet, construction of small ships and improvement of the road, railway and urban mass transit systems), health and education.

The role of foreign capital may be particularly important in all this process, having in mind its contribution to fill the gap in domestic savings as well as the deficit in the external current account, expected for 1980. This will be due to the increasing oil prices and, to a lower extent, to a more expansionist economic policy.

But, is Portugal safe enough for international investors? Which guarantees can it offer to its creditors?

PORTUGAL'S OFFICIAL FOREIGN DEBT

(End of period)

	US\$ million	1977	1978	1979
Items				
1. Public Debt		907	1,509	2,105
(a) Direct		319	884	1,376
(b) Private, with government guarantee		488	615	829
2. Bank of Portugal		1,681	1,924	1,616
3. TOTAL		2,488	3,433	3,721
4. Official Foreign Debt		15.9	19.3	18.4
Official Foreign Debt	x 100			
Official Gross Foreign Assets		57.4	59.1	34.9

First of all one has to remember that modern Portugal has always behaved impeccably as far as honouring its commitments is concerned. This was true even in the more difficult years of large deficits in the balance of payments. Nonetheless, it will be convenient to characterise, briefly, the situation of the Portuguese economy, relating to its capacity to service its foreign debt.

Portugal's foreign public debt, including private debt with Government guarantee, has remained within perfectly acceptable boundaries. It was only in 1977 that the country began to revert increasingly to this type of financing. Before that, in 1974/76, Portugal used its gold and foreign exchange reserves and allowed the monetary institutions to increase their net foreign liabilities. If one adds to that the foreign debt of the Bank of Portugal, the situation does not change substantially.

As a matter of fact, the official foreign debt outstanding, including the foreign debt of the Bank of Portugal, accounted, in 1979, for a lower share of GDP (18.4%) than in 1978 (19.3%) and is widely covered by official gold* and foreign reserves, which, at the end of 1979, amounted to \$10,654 million (with gold value at market prices, on the basis of the average quotation on the London market for the fourth quarter of 1979). This is almost three times the \$3,721 million of the official foreign debt. This comfortable situation is the result of the increase in the price of gold in world markets and of the recent turn-around in our current account.

Summarising: figures for Portugal's foreign debt look rather good by current international standards. This is particularly true when we compare its situation with that of many other countries now borrowing in international capital markets.

*Official gold reserves amounted to 688 tons at the end of 1979.

BANCO DE PORTUGAL
RESEARCH & STATISTICS DEPARTMENT

WORLD BANKING XVIII

Threat to interest rate agreement

THE TIME-HONOURED system under which Austrian banks and credit institutions agree among each other what rates they will offer to depositors is in danger. The joint stock banks have given notice terminating the agreement with effect from July 1.

Not only the interest rate cartel is at issue. In the background there is the entire question of whether the country is "overbanked" with one branch for every 1,600 inhabitants.

It was the joint stock banks which pushed ahead with special vigour in search of the savings deposits of the small man. But this spring Dr. Heinrich Treichl, chairman of the executive board of Creditanstalt Bankverein, the largest Austrian bank, publicly wondered whether sufficient regard had been paid to profitability.

Had profit been the first concern, he mused, some branches might never have been opened, some credits might never have been extended, and some deposits might never have been accepted.

Savings

Not so long ago savings accounts were seen as the easiest and cheapest way for an Austrian credit institution to renounce itself. But the rise of interest rates, though it has been less drastic in Austria than elsewhere, has taken its toll. Last year the joint stock banks actually lost savings deposits as customers switched to more profitable term deposits or to fixed interest securities. Moreover, interest arbitrage caused funds to flow abroad.

The trend was much less pronounced in the cooperative sector, with a less sophisticated clientele. The savings banks did increase their savings deposits, but at a rate much lower than in previous years. The Raiffeisen group, which is firmly rooted in the farming population, barely felt the switch to other forms of savings.

So it is not surprising that it was the joint stock banks which took the initiative by giving notice to terminate the cartel. The immediate reason for doing so was their wish to have a free hand with the interest they can offer their clients to match the volatility of market rates in the market. Competition, already fierce on the asset side, would have to spread to the liabilities, they argued.

Should the cartel really be ended, all deposit rates would be free except the so-called

banks from the rule that except in the special case of Vienna only one savings bank should have the right to take deposits in any one locality.

The main groups are the joint stock banks, together with a dwindling group of private bankers; the savings banks; and the Raiffeisen banks.

The joint stock banks are universal banks on the German model, engaging in every form of banking business and acting at the same time as holding companies for what by Austrian

stock banks and the large savings bank in their own right, the rest of the savings banks and the Raiffeisen banks through umbrella banks of their own, Girozentrale and Genossenschaftliche Zentralbank respectively.

Laenderbank is in the process of acquiring a 49 per cent share in Banque Internationale a Luxembourg, with the Laenderbank group as its partner. Creditanstalt intends to open a branch in London this year, as does Girozentrale.

All of these institutions, as well as the two large Viennese savings banks, have repeatedly played a part in international loan syndicates.

Initially the Austrians made their international advances through consortium banks. They took account of their relatively small size. But consortium banking has lost some of its attractions now that the larger partners prefer to go into business on their own, often competing with the consortium of which they are part. Some difficult decisions may therefore have to be made in Vienna. There have been keeping a close watch on the foreign business of their banks, preferring to keep a fairly tight hold on its expansion.

Current account

In part they want to cushion the country from the impact of volatile international interest rates and conjunctural cycles. Moreover, with a current account deficit expected to reach AS 37bn (about £1.5bn) this year they want to reserve the creditworthiness of the country for balance of payments borrowing, rather than other purposes.

Since both the Minister of Finance, Dr. Hannes Androsch, and the president of the Austrian National Bank, Professor Stefan Koren, are firm believers in a hard currency policy, the cushioning has not been easy to achieve and will continue to pose problems. The argument about the interest cartel demonstrates that most clearly.

AUSTRIA

W. L. LUETKENS

"central rate" (Eckstein) payable on savings accounts with legal notice of deposit.

In practice these are accounts with free withdrawal, but not transferable by cheque. In their case the law says that falling an agreement interest shall be paid equivalent to half the nominal interest due on current issues of Government bonds. Given the political aspect of the "central rate," there is a good chance that the cartel will be renewed for that rate alone which would please the run of the institutions in the co-operative sector, while giving freedom of movement to banks and others in the higher league.

The affair does illustrate the fundamental division of the Austrian banking world into several groups with distinctly different interests.

Those differences have not been obliterated (and probably never will be fully obliterated) by the new regulatory Acts of last year which, potentially, turned all Austrian credit institutions into universal banks. Last year's legislation, for instance, gave all but the smallest members of the co-operative sector the right to issue securities in their own name. It also freed the savings

standards are industrial empires.

It should be noted here that the joint banks behave like private institutions, though the State is the majority shareholder of the two largest, Creditanstalt Bankverein and Oesterreichische Laenderbank.

Historically the savings banks were intended to channel the small man's savings into mortgages and local government loans. They now offer the full range of retail banking services, and the higher savings banks, especially the two institutions in Vienna, Zentralsparkasse and Erste Oesterreichische, have grown into universal banks in all but name.

It may be supposed that in the argument about interest rates their instincts have been on the side of the joint stock banks.

Raiffeisen is a very special case. The farmers' banks are part of a large organisation which provides cooperative marketing and purchasing facilities for the rural population. Like the savings banks, the Raiffeisen banks have grown into a network of institutions providing the full range of retail services. Each of these groups has an international presence; the joint

Reassuring transition

YUGOSLAVIA

ANTHONY ROBINSON

THE SMOOTH transition to collective leadership which followed President Tito's illness and death has been reassuring to bankers as to everyone else. Yugoslavia, they have decided, is not likely either to split into its component parts or to be invaded by Soviet tanks in the foreseeable future. That leaves Yugoslavia's economic and financial problems as their main cause for concern.

It is now the conventional wisdom that keeping the economy on an even keel will be one of the most important challenges facing the collective leadership.

Politically the problem is ensuring that the six republics and two autonomous provinces feel they are getting an equitable share of the national economic cake. Economically the problem is ensuring that local ambitions and rivalries do not lead either to wasteful duplication of investment, or diversion of resources to prestige projects of doubtful economic value.

Inflation is now a major problem. Officially retail price inflation was around 22 per cent last year, but ordinary Yugoslavs feel that 30 per cent would be closer to the mark. Wages and salaries barely kept pace with inflation, but consumption rose and investment stayed at unsustainably high levels.

The net result was an over-heated domestic economy which continued to suck in imports far faster than exports leading to a record trade deficit of \$6.5bn and a balance of payments current account deficit of over \$3bn.

The overall economic strategy this year is aimed at GNP growth of around 5 per cent compared with 6 per cent in 1979 and even higher the year before that. At the same time Yugoslav enterprises are now under pressure from the republics to increase their exports and cut back on imports. Under the Yugoslav system each of the republics has responsibility for its own balance of payments. They are supposed to keep its deficit within limits agreed at a federal level. Early this year the republics agreed that this year the balance of payments deficit must be cut to \$2bn.

That was the easy part. The difficulties came when the republics spending plans were added up. The sums showed that a \$5bn deficit would arise if all the plans were carried through. But no agreement has yet been reached on the projects which each republic will have to sacrifice if the overall target is to be achieved.

Enterprises have been set the target of achieving a 6 per cent rise in export volume this year while keeping imports at last year's unsustainably high level. This requires reversing the

trend of stagnant or declining export volume which has contributed to steadily rising deficits over the last four years.

The new five year trade agreement with the EEC will help to boost exports, as will the creation of a new export credit bank. But Yugoslavia will continue to need considerable foreign funding if it is to maintain plans for economic growth in the 1980's which include large scale energy and raw material development schemes.

Last year Yugoslavia managed to renegotiate the terms on some of its expensive, and fragmented, earlier borrowings. But bankers were not very happy about the operation and have reportedly not shown much enthusiasm for approaches made by five or six Yugoslav banks so far this year.

According to a recent study by Bankers Trust the Yugoslav current account deficit can be expected to continue at between \$1.5 and \$2.5bn a year over the next decade, implying an estimated average annual gross borrowing requirement of between \$2.5bn and \$3bn. This

would see the external debt rising at about \$2bn a year. Given Yugoslavia's potential for growth, and its political and strategic importance, this should not present any special problems. But if Yugoslavia is to get the kind of terms it wants, bankers suggest that Yugoslav banks will have to coordinate their approach much more successfully than they have done so far.

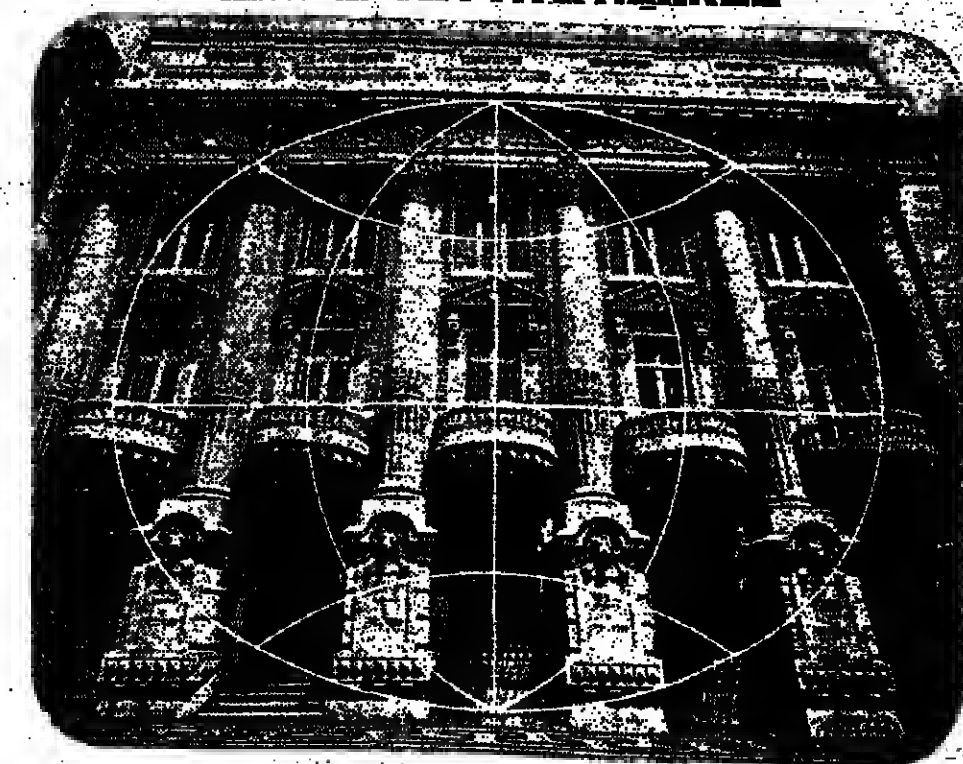
One banker commented that the Yugoslav banks seem to be much better at competing amongst themselves for funds than combining to fight for better terms from potential lenders.

While this fragmented approach continues, Yugoslavia looks like having to pay higher margins and commissions than either its creditworthiness or other factors justify.

Banco Totta & Acores The Portuguese bank with the largest international network.



BANCO TOTTA & AÇORES



Head Office: Rua Augusta 28, 1100 - Lisbon - Tel.: 12245
London Branch: 1-3 Abchurch Yard, London EC4N 7BH - Tel.: 86789
New York Agency: 277 Park Avenue, New York, N.Y. 10017 - Tel.: 66726
Current Representative Office: Av. Francisco de Almeida - Edifício Geneserath - Cascais 187 - Tel.: 2332
Associated Bank: Banco Comercial Totta & Acores, Banco de Oporto - Braga

Presence of foreign banks proves helpful

SPAIN

ROBERT GRAHAM

BEFORE THE end of the year a total of 20 foreign banks should be operating in Spain. Two years ago there were only four, all of which for differing historic reasons had been active in Spain for some time. The admission of foreign banks, under a decree approved in June 1978, is one of the few practical signs of the Government's avowed intention of liberalising the banking and financial system to bring Spain more into line with European Community practice.

Admission has been selective, not free, and the authorities have applied restrictions on the "incoming" activities. Nevertheless the presence of leading international banks inside the Spanish banking system is already having a catalytic effect and despite strong objections from the more conservative Spanish banks the wisdom of the admission has been generally accepted.

Initial fears that major international banks with more sophisticated techniques would flounder in on traditional stamp-

ing grounds, like peseta business and the granting of guarantees, have proved unfounded. This is mainly because the 106 Spanish commercial and industrial banks continue to enjoy protection. For instance, foreign banks' peseta dealings cannot exceed 40 per cent of their assets inside Spain, which for most of them effectively means an upfront fee of Ptas 750m (55m) to be paid to set up operations. For their part the foreign banks, limited to three branches, have never seriously considered expensive initial investments in retail banking.

The new foreign banks have preferred to concentrate initially on the wholesale end, and on servicing existing clients. The first batch of ten foreign banks, admitted last year, helped raise the total share of foreign banks in banking system deposits by about one per cent to just over two—the same applies to credits. Thus the overall share of business remains small, and will continue

so while restrictions are in force.

One interesting example of where the foreign banks have acted as a catalyst is in stimulating an acceptance market on the stock exchanges. Exploiting loopholes in existing legislation, a number of foreign banks decided late last year that it was worth trading acceptances on the Madrid Stock Exchange.

The first reactions of the larger Spanish banks were negative and indeed the largest, Banesto, tried to block the move. But the Ministry of Economy stepped in to lead its support to the initiative and now the idea has taken root. There have been some gripes, in particular prompted by the application of a turnover tax to loans.

The banking system is divided between the commercial and industrial banks, which are privately owned, and the savings banks, the *cajas*, which are privately run but are non-profit making, serving in theory at least a socio-economic function. Side by side with these two groups are the State-run specialised credit institutes under the aegis of the Instituto de Crédito Oficial (ICO) that provide medium and long-term finance to industry, agriculture, local government and housing.

Higher financial costs and pressures on profits, coupled with a continued official con-

trol of a sizeable portion of interest rates, have created a fairly clear division of activity. The commercial and industrial banks are concentrating on short-term lending. The savings banks, which account for some 30 per cent of total deposits in the banking system, continue to be used by the authorities as a major source of funds—just over 60 per cent of all savings bank deposits are channelled to officially directed investments either in bonds, Treasury bills or credits.

Nominees

The sharp decline in stock market values plus deterioration of cash flow positions of industrial companies have caused problems. One remedy has been a general levelling off of new investment. More important, the industrial banks have begun to opt for multi-purpose functions, moving more into commercial banking to spread the risk. Within the next five years it is unlikely that any of the existing industrial banks will still refer to themselves as such.

Nevertheless the particular feature of Spanish banking—the very substantial control of industry and the service sectors by the private banks—will remain. Banks are strongly linked to industrial concerns both through equity participation and boardroom representation. Quite often a bank's own share participation may be small, as in the case of the powerful privately run utilities, but its real control is substantial through the practice of acting as nominees for shareholders who have deposited shares with it.

The banking system as a whole remains dominated by the so-called "Big Seven"—Banesto, Central, Hispano, Bilbao, Vizcaya, Santander and Popular. These banks account for 82 per cent of commercial bank lending and 88 per cent of commercial bank deposits. Within this grouping there are really two divisions, with Banesto, Central and Hispano at the top and then the rest.

Since 1977 these three leading banks have grown considerably in size through buying up

small and medium-sized banks. The most notable absorptions have been Central's takeover of Iberico—owned by the Pío family—and Banesto's takeover of Coca and its 17 per cent purchase into Banco de Madrid. The latter two moves have caused enormous problems of absorption for Banesto, largely because the acquisitions were ill-prepared.

Another noticeable trend within the banking system is for reported profits to decline and fail to match inflation. An analysis of bank results made by the Bank of Spain last year showed that in 1978 bank profits rose overall only 1 per cent. This compared with an overall increase in 1976 of 19 per cent. The study also showed that during 1978 there was a significant rise in bank losses, up from Ptas 682m to Ptas 4.1bn. Losses in 1979 are expected, however, to have risen further.

The principal pressures on profits come from the need to set aside increased sums for doubtful debts and equity write downs, higher costs and higher personnel expenditure. The most remarkable feature has been the increase in adjustments to take account of doubtful debts, losses in portfolio assets and amortisations. These adjustments follow new and stricter rules from the Bank of Spain. In the case of the Big Seven banks these adjustments were reckoned for 1979 to be

over Ptas 20bn. It is reckoned that the healthier banks have between 1.5 per cent and 1.8 per cent of total risk assets tied up in doubtful debts. The average for the banking system as a whole is nearer 3.2 per cent.

Hospital

Last year the Corporación Bancaria—the "bank hospital"—was created by the Bank of Spain in conjunction with the commercial and industrial banks. This was designed to take over and administer those banks that had accumulated such financial problems as to be wholly unattractive for a commercial rescue operation. Four banks were absorbed in this way, plus subsidiaries. But the mechanism was unsatisfactory since insufficient funds were available to restore successfully the troubled banks, which thus risked staying permanently in hospital.

Since April, however, a new mechanism has been evolved. This is an enlargement of the existing deposit guarantee fund. Banks will now be obliged to contribute annually on a Ptas 1 per 1,000 basis, with the Bank of Spain matching the total contribution from the banks. In this way some Ptas 12bn will be available this year both to guarantee individual depositors up to Ptas 750m plus providing funds either for a bank to re-float itself or for another bank

to help in the operation—so avoiding the need to go into hospital.

The first case of the fund being applied has already arisen with the Lopez Quesada Bank. The fund will underwrite a new capital increase not on the basis that the bank first reduces its existing capital.

The new system should also help avoid a practice which had become increasingly prevalent. To prop up ailing banks, the Bank of Spain had been obliged to provide substantial credit lifelines. Controlling the bank system has absorbed a good deal of the authorities' energy. It is hoped that more attention will now focus on developing a more sophisticated capital market.

The main drawback here is the conditioning of the system, through long habit, to the "privileged" circuits. These are the percentages of funds which the banks are obliged to set aside for State-directed investment at soft or "privileged" rates. In other words, the biggest borrowers—such as INI, the State holding company or the telephone monopoly Telefonica—can rely to an important degree on captive lenders. Moreover, because the banks obtain a low return on funds so employed they have to recoup this on their free funds. Interest rates are thus subject to a double distortion.

Post-revolution development

THE UNPREDICTABLE nature of Portuguese politics in the six years since the revolution has nowhere been more mirrored than in that fate of Portugal's banking sector.

Banking was one of the sectors of the Portuguese economy which the revolution almost immediately claimed for itself. The State took effective control of over 95 per cent of all banking activities, making Portugal's nationalised sector the largest, and potentially the most powerful in Western Europe.

Today, attempts by Portugal's recently elected Centre-Right coalition to open up banking to the private sector have again generated widespread opposition among the Left wing, indicating that controversy in the sector has not disappeared, even though Portuguese banks in general have settled down to a period of normality after the initial disruption.

That the banking sector remains such an emotional issue in Portugal stems from the particular nature of the Portuguese economy before the revolution.

During Portugal's half century dictatorship (finally overthrown on April 25, 1974), banks grew to enjoy a particularly privileged position.

The banks were generally family run and were part of conglomerate empires that had wide ramifications in industry, the services, and agriculture. The sector had to a large extent become to symbolise the social inequalities which then existed in Portugal.

Privilege

This explained why nationalisation was so widespread, and, for a brief period, extreme. During the height of communist influence in 1975, bank employees took over boardrooms, forcefully expelled managers, and mocked banking secrecy by divulging confidential statements to the world's press.

Since the end of 1975, however, communists have been pursued from positions of influence and at the same time a new sense of order and discipline has been established. Plans to transform nationalised banks into specialised institutions in charge of specific sectors of the economy have been dropped.

The sector has remained highly centralised, however, and poorly diversified compared to other western European countries. Three foreign banks—Banco do Brasil, Bank of London and South America, and Credit Lyonnais, survived the revolution, but their present-day presence remains small in terms of market share.

There have been primarily concerns with financing trade with their respective countries, and are subject to the same rules and regulations as the nationalised banks.

The Portuguese banking system is largely characterised by the power and influence of the Bank of Portugal.

The Direcção Cordenadora de Instituições de Crédito is a special department within the Bank which was set up in 1976 to supervise the running of individual banks, including budgeting and accuracy of reports.

The department also tries to unify certain aspects of common utility such as standardisation of cheques, co-operation in computer reading, and distribution of branches.

Monetary policy has given the Bank of Portugal unique powers in controlling credit expansion and setting the re-discount rate. The Bank also pegs the value of the escudo and controls foreign exchange.

Some Portuguese bankers complain about the extent of centralisation which exists in Portugal, although they admit that a degree of liberalisation has worked itself into the present system.

Fairly strict guidelines are laid down by the Bank of

PORTUGAL

JIMMY BURNS

Portugal but credit ceilings continue to be decided on a bank-by-bank basis. In order to encourage some competition, the nationalised banks are no longer committed to unified advertising. The larger ones like the Banco Portugues de Atlantico have been encouraged to extend their operation and open branches abroad.

Nevertheless competition is limited by the system. The capital market in Portugal still has a very narrow base. The bulk of Government debt is directly with the Bank of Portugal. A substantial proportion of bonds issued by the Government are at non-market rates (7.5 per cent) which the banks and the Bank of Portugal are obliged to purchase.

The Bank of Portugal also dominates the existing inter-bank market. Effectively there are two markets: the first is for 24-hour funds; the rates for which are fixed by auction. This is the principle means of absorbing short-term liquidity. Then there is a second market which involves the Bank of Portugal selling off bonds from its own portfolio at discounts determined on the day. Lacking in the present system are short-term Treasury bills.

The growth of the capital market is expected to be stimulated by the admission of private enterprises into the system. Nevertheless, dramatic overnight change is not expected, at least not until after the next general election in October which the Centre-Right Government is again expected to win.

Until then any attempt by the Government to open up key sectors of the economy such as banking to the private sector is expected to come up against the legal obstruction of Portugal's socialist constitution. This still defines the nationalised banks as one of the "conquests" of the revolution.

Decree

It is significant that the present Government's decree permitting the operation, alongside state-run institutions, of private banks is phrased in general rather than specific terms. It is assumed moreover that when and if more detailed legislation is produced it will be similar in scope to the model introduced in Spain last year.

The Spanish foreign banking law includes a large entry fee and restrictions on local currency dealing and the amount of business in profitable guarantees.

As a result foreign banks are unlikely to feel encouraged to establish themselves right away. They will prefer to mark time and in some cases put a foot in the door without walking straight out.

One can already see this in the decision of some foreign banks, namely Chase Manhattan, Citibank and Manufacturers Hanover, to set up representative offices in Lisbon over the past year.

Moreover, private enterprise has been showing an increasing interest in the possibilities offered by the legalisation last year of investment companies. These will be entitled to grant medium and or long term credit but will not be able to accept short term deposits.

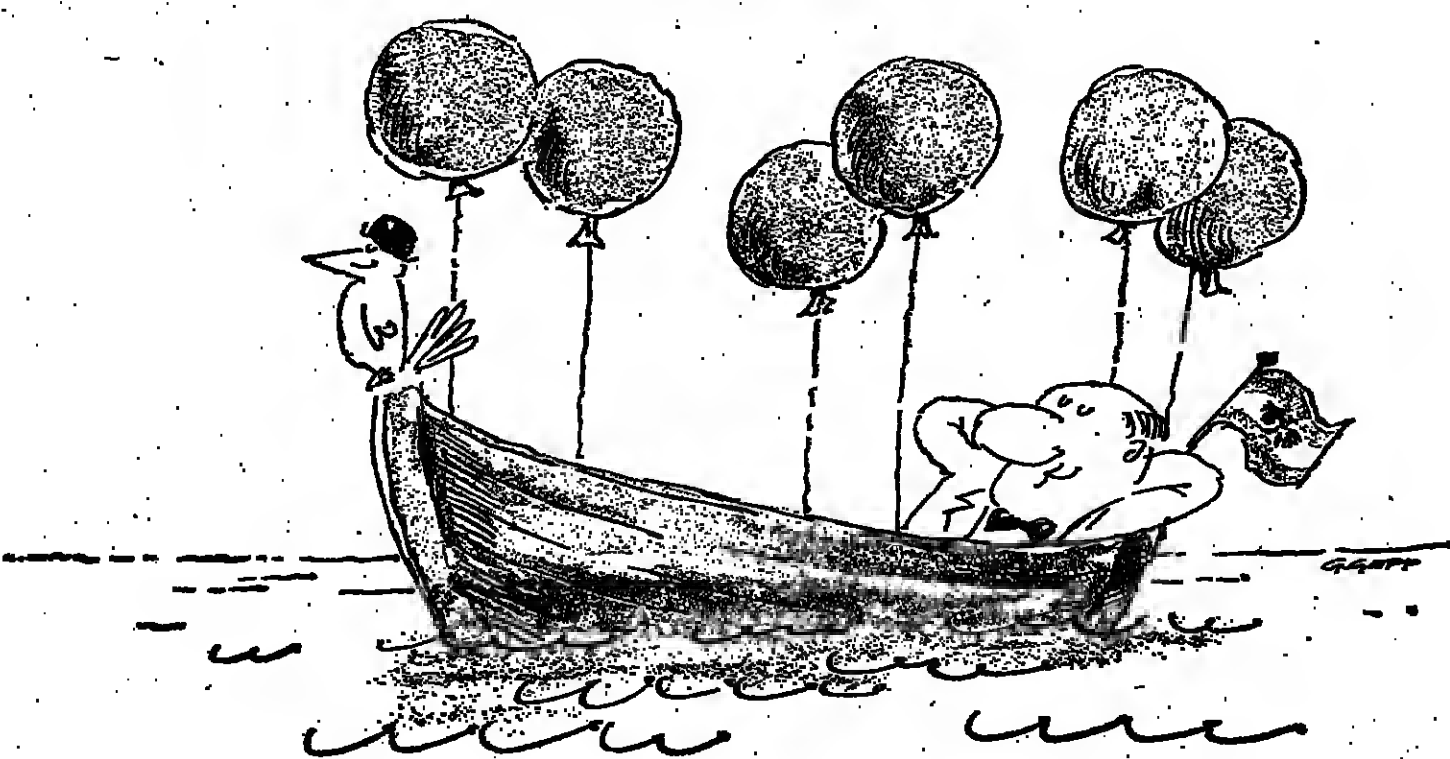
Although the law is still looked upon by investors as too restrictive it has nevertheless led to the formation of a number of mixed groups made up of Portuguese businessmen or re-establishing themselves in post-revolutionary Portugal.

These groups are now on the sidelines waiting for further legislation.

GZ would like to draw your attention to a small country featuring constant price levels, stable currency, almost no unemployment, hardly any strikes, excellent bank secrecy ...

... and attractive investment opportunities:

Austria AAA.



However, GZ would also suggest that you should not believe all this just because they say so in an ad. You should check. Contact us directly or mail the coupon. We will send you free of charge the

"Memorandum On The Austrian Capital Market", with comprehensive, up-to-date data and development forecasts. Issued quarterly by Girozentrale Vienna, the most advanced Austrian bank in international business.

GZ

Girozentrale Vienna

Your friend from Austria

Girozentrale Vienna, A-1011 Vienna, Schuberting 5, Tel. 72 9 40

Manager securities trading dep.: Mr. VOMACKA, Tel. 72 94 670, Telex 113 195
Deputy manager, Eurobond dealer: Mr. LILL, Tel. 72 94 772, Telex 113 195
Eurobond dealer: Mr. STEINDORFER, Tel. 72 94 272, Telex 113 195
Austrian Schillingbonds dealer: Mr. PIERINGER, Tel. 72 94 372, Telex 113 195
Manager new issues syndication: Mr. NOWAK, Tel. 72 94 654, Telex 113 915
Assistant manager new issues syndication: Mr. SOLOMAR, Tel. 72 94 923, Telex 113 915
Manager international financings: Mr. NEMSCHAK, Tel. 72 94 320, Telex 135 445
London representative office: Mr. ANTON, 7 Birch Lane, London EC3 V9BY, Tel. 626 8583
Far East representative office: Mr. HURLEY, 1503 Cammon House, 12 Harcourt Road, HONG KONG, Tel. 24 11 51, Telex 63352

Coupon

Name

Position

Company

Address

Please send us regularly your "Memorandum On The Austrian Capital Market"

Please also send me a copy of your annual report

A dynamic and progressive force in Turkish business affairs at home and abroad **AKBANK**

Turkey's second largest commercial bank and
the first in the private sector

● An Executive Board consisting of men of distinction drawn from industry, commerce and the professions, each pre-eminent in his own field providing a wealth of business experience. An expert management backed by a staff of nearly 10,000 highly trained employees using modern accounting equipment and methods.

● A Head Office and International Division in Istanbul and 571 branches throughout the country of which 20, in key locations, are authorised to handle foreign transactions.

● A commercial bank, promoting industrial investment and development, affiliated with more than sixty leader companies, and holding a controlling interest in the largest Turkish Insurance Group

Balance sheet as at			
	1.1.1980	1.1.1979	Rate of increase %
ASSETS			
Cash and due from banks	662,405,620	599,094,988	30.1
Reserve requirements	446,137,546	311,369,929	43.2
Investment securities	119,975,747	114,334,224	4.9
Loans	1,227,316,541	886,932,331	53.3
Participations	96,302,530	49,646,507	22.3
Bank premises and equipment	75,836,586	28,856,483	33.4
Other assets	130,641,239	84,655,295	33.0
Total assets	2,861,614,521	1,905,191,430	49.8
LIABILITIES			
Deposits	1,819,609,965	1,281,718,224	42.0
Borrowed funds	525,966,871	393,201,304	33.8
Other liabilities	245,828,129	144,026,649	42.2
Total liabilities	2,591,404,965	1,818,946,177	43.6
STOCKHOLDERS' EQUITY			
Capital	25,771,429	17,122,857	66.7
Reserves	51,469,688	35,186,296	46.3
Provisions	10,543,669	13,547,880	20.9
Total stockholders' equity	87,784,886	66,177,253	31.5
Total liabilities and stockholders' equity	2,679,189,851	1,885,123,430	42.1

Just some of the features that have brought
us to the fore in Turkish banking.

At your service for:
All domestic and foreign banking transactions.
Information and guidance on import and export.
Joint ventures and ancillary matters.
Advise to foreign investors on the most
viable new fields.

AKBANK

HEAD OFFICE		INTERNATIONAL DIVISION	
Mediata Mehmeti Cad. 65-69 Fındıklı - Istanbul - Turkey Telephone: 43-42 20 Telex: 24 139 a+b akbn tr		İstiklal Cad. 417/419 Büyükdere - Istanbul - Turkey Telephone: 44 56 03 - 45 60 75 Telex: 24 134 a+b+c akbn tr	
NEW YORK REPRESENTATIVE		LONDON REPRESENTATIVE	
400 Park Avenue New York, N.Y. 10022, U.S.A. Telephone: (212) 832-1232 Telex: Akbn 647711		48-54 Moorgate London EC 2R 6EL, ENGLAND Telephone: 01-638-1366 Telex: 881330 akbn g	
FRANKFURT REPRESENTATIVE		PARIS REPRESENTATIVE	
6 Frankfurt/Main Kaiser Str. 41, W. GERMANY Telephone: (069) 25 25 03 - 25 11 22 Telex: 412116 Frank f		100 Boulevard Haussmann Paris 8, FRANCE Telephone: 01-47 43 43 43 Telex: 200000 Akbn f	

Growth in real terms despite inflation

ISRAEL'S banking system again showed satisfactory growth in 1979, despite a rate of inflation which almost doubled to 111 per cent.

Total domestic banking assets grew during the year by 13 per cent in real terms, and have risen by approximately 2.5 times in the period 1974-1979.

Double digit inflation has existed in Israel since the beginning of the decade, so the banking system had evolved a variety of channels through which it was possible to hedge against the accelerated inflation of 1979.

Medium-term savings, which are linked to the cost of living, increased by about 123 per cent. Short-term domestic deposits, denominated in foreign currency, more than doubled.

These two groups amounted to some 90 per cent of the public's total deposits in the banking system in 1979. Five years ago, in 1974, the relative weight of these two types of deposits was about 66 per cent.

In recent years, the banking world has developed two alternatives to time deposits, both in domestic currency. Certificates of deposits were first introduced in mid-1978 and within a year attained the same volume as time deposits.

Liquidity

By the end of 1979 the amount of CDs reached \$14.5bn, or 50 per cent more than total time deposits. Interest rates on CDs often matched, and even surpassed, those on time deposits, despite CD's higher liquidity.

The alternative instrument that inflation has made popular is the medium-term deposit linked to the cost of living. The deposit is closed for an average of 2½ years, and in return is fully linked to the cost of living index, plus 6-7 per cent fully linked interest.

It is hardly surprising that the demand for these deposits tripled during 1979, and their quantum in imports is now similar to that of CDs.

At the beginning of January 1979, the overdraft rate stood at 35 per cent, while expectations for inflation ranged between 50-70 per cent. The

central bank, which directs monetary policy, pressed the commercial banks not to raise their interest rates, on the assumption that cost factors were behind continuing inflation.

Furthermore, it imposed a freeze on foreign exchange borrowing, in an attempt to minimise the negative effect such borrowings had on maintaining the Israeli pound at an unjustifiably high exchange level. The freeze, initially imposed for a period of two months, was replaced by a 12 per cent added cost on borrowing in foreign exchange, so the relatively low price of non-linked credit, and the restrictions on foreign currency borrowing, created an excess demand and a shortage of liquidity in commercial banks.

The resulting liquidity deficits in the commercial banks multiplied five-fold between the end of January and the end of March 1979, to reach a level of \$14.5bn.

In allowing the commercial banks to raise interest rates, the central bank imposed a ceiling on the volume of non-linked domestic credit. This measure was reinforced by an increase in the fines on failure to meet liquidity requirements.

Commercial banks are divided by the Bank of Israel into four groups based on the size of their deposits. The first group includes Leumi, Hapoalim and recently Miral Bank, have all established themselves in the

for some 90 per cent of all Israel's banking assets.

There is a significant difference in the involvement of the three groups in industry. Discount Bank is a 90 per cent owned subsidiary of the IDB Bankholding Group, which also controls two major industrial holding companies and has 25 per cent of CLAL (Israel) Ltd., Israel's largest private sector holding company. Bank Hapoalim is also believed to hold about 25 per cent of CLAL, but otherwise is not significantly involved in industry.

Foreign exchange

Foreign exchange operations, which had shown a rapid growth since the 1977 liberalisation measures, advanced further in 1979.

Deposits denominated in foreign currencies, which were 50 per cent of the total in 1975, reached 62 per cent, and for the first time total domestic assets in foreign currency exceeded those nominated in local Israeli pounds.

In company with many of their European counterparts, Israeli banks have been looking to the U.S. retail banking market for expansion.

The Leumi Group was for many years the sole representative, but today Discount Bank, Bank Hapoalim and most recently Miral Bank, have all established themselves in the

U.S. The Leumi Group recently added to its New York retail capability by purchasing 15 branches of Bankers Trust.

Overseas assets of Israeli banks are not included in the figures given in this table. They amounted to an estimated \$12.15bn on December 31, 1979.

A major issue, particularly in academic circles, is the "real" profitability of the commercial banks, whereas the three major groups had a reported 133 per cent increase in earnings at the attributable level, and the smaller banks did even better. It does appear that there was a reduction in shareholders' equity.

The actual size of this reduction depends on a number of factors, which are difficult to estimate, such as the behaviour of the value of bank property, none of which came to the market.

The Controller of the Banks' estimates show that in 1979 a 2.7 per cent "real" loss was made by the three banking groups, against a 8.5 per cent "real" profit in 1978.

The current economic situation must remain one of uncertainty. While the Budget for the 1980 financial year could cut the inflation rate, most observers do not believe that year-on-year inflation will be significantly different from 1979. This view has been strengthened by the announcement of a 49 per cent increase in the money supply (M1) during the first quarter of 1980.

● Israel is in the process of converting its currency from Israeli pounds to shekels. Full implementation of the change-over has been delayed until October because of technical problems.

HOW THE TRENDS COMPARE

	1974	1975	1976	1977	(\$bn)	1978	1979	1974-9	1974-9
Total assets	82	119	173	226	548	1207	71.2	14.1	
In foreign currency	35	48	6	159	285	609	71.8	17.9	
In US	47	71	107	176	283	598	63.3	10.8	

(1): Compound annual.

(2): Compound annual deflated by Consumer Price Index.

Source: Bank of Israel

Foreign banks encouraged

TURKEY

METIN MUNIR

PRIME MINISTER Suleyman Demirel's Government has moved to open to outside competition the inward-looking banking system in Turkey that is a combination of State and private enterprise. One of the measures contained in Free Enterprise — Mr. Demirel's comprehensive economic package of last January — is to allow foreign banks to open branches in Turkey. Citibank, one of the world's largest banks and one of Turkey's biggest creditors, has applied to open a branch. Other Western banks which have representative offices in Istanbul Wells Fargo, Deutsche and Dresdner banks and Banca Commerciale Italiana, said they were not planning to enter the Turkish market just yet. But if the example of Citibank, which is virtually certain of getting the go-ahead from the Government, proves lucrative other Western banks are expected to follow suit.

Of the 44 banks operating in the country just four are foreign. The Arab Turkish Bank was founded in 1977 as a partnership between Turkey, Kuwait and Libya. The three other foreign banks were founded during the Ottoman era. They are the Ottoman Bank, which is the biggest, Halkbank and Banko di Roma.

Banking regulations do not allow banks to lend or borrow foreign currency deposits, and banks that are allowed to have foreign currency cannot use arbitrage. The Turkish capital market is insignificant.

Most national banks have their headquarters in Istanbul, the country's centre of business and industry. The central bank, which plays a regulatory role in both foreign exchange and foreign trade operations, is in Ankara.

The central bank is the issuing bank. It acts as financial and economic adviser, fiscal agent and treasurer to the Government, as well as implementing monetary and credit

policy. In consultation with the Finance Ministry and with the approval of the Government the central bank establishes the parity of the Turkish lira. It fixes the discount rate — currently 14 per cent — and controls the volume of credit.

In recent years the central bank has become politicised. Until 1978 governors of the central bank worked undisturbed by the frequent government changes and were generally career civil servants. This has changed since the sacking of Governor Cafer Tayyar Sadiklar by Mr. Bulent Ecevit, the then Prime Minister, in 1978. Mr. Demirel is now preparing to sack Mr. Ismail Hakki Aydinoglu, the present Governor. Mr. Aydinoglu has obtained court backing to keep his position, but he may have difficulties and the fact remains that the central bank is as prone to be affected by winds of political change as all other government agencies.

Controls

In Turkey banking is strictly controlled by the Government, which has the authority to establish interest rates and determine the areas in which credits are advanced. Recently at the behest of the International Monetary Fund (IMF), the Government has increased bank lending, time deposit and Government bond rates as well as the central bank's discount rate and has provided additional interest premium for time deposits opened by expatriate Turks in foreign exchange. These rates are currently being reviewed further to compete with inflation, which was over 80 per cent last year and will probably go beyond 100 per cent this year.

Credits are scarce and expensive and getting more so with

the tightening control on money supply imposed by the central bank in accordance with IMF limits. Interest on medium term credit is 22 per cent and bonds offer up to over 40 per cent interest a year.

The scarcity of credit has led many large private companies to seek control of the commercial banks. Of the 24 commercial banks nine are now controlled by family-owned groups. The Sabanci brothers control Akbank, the second biggest commercial bank, and have a substantial minority interest in Turkey's Garanti bank, the 5th largest at the beginning of 1979.

Garanti is controlled by Koc, the country's biggest industry conglomerate dominated by the Koc family which is a newcomer to the banking scene. Yapi Ve

Kredi Bankasi, the third largest is reported to have been won by the Cukurova industry group which also controls Pamukbank in the top ten.

Apart from the obvious advantages of owning a bank that law permits banks to open unlimited credit lines to their parent companies while credit to others is limited to 25 per cent of the bank's paid-up capital and legal reserves.

An executive decree published in August 1979 tried to wrest control of the private banks from families and private groups by restricting their equity to 30 per cent of the total. However, the decree is unlikely to win approval from Parliament, which is dominated by Right-wing parties. Most private banks are thus expected to be acquired by the aggressive industry and trade groups.

Banking for the individual is not a developed service. Overdrafts are illegal and credit cards are not widely used. Even cheque books are not common. Credits are channelled by Government institutions into areas "fruitful to the economy".

The personal touch internationally.

If you appreciate friendly, personal attention to your financial affairs by experts, come and talk to Bank Hapoalim.

Like our rose, the personal touch is something with which we are becoming increasingly associated.

And that's not only in our City of London, West End and Manchester branches but also across our group's entire network of over 300 branches in Israel and offices

in the world's major financial centres.

So we can help you develop your business all over the world.

And of course, we'll open up the limitless opportunities of our own vigorous country, Israel.

Call in or give us a ring. And find out what a difference the personal touch can make.



Bank Hapoalim B.M.

We handle all your affairs with the personal touch.

Head Office 50 Rothschild Boulevard, Tel Aviv, Israel Tel. 628111
London West End Branch 8/12 Brook Street Tel. 01-499 0792
City Branch 22/23 Lawrence Lane Tel. 01-600 0382
Manchester 7 Charlotte Street Tel. 061-228 2406
New York, Los Angeles, Chicago, Boston, Philadelphia, Miami, Zurich, Paris, Luxembourg, Toronto, Montreal, Buenos Aires, São Paulo, Caracas, Montevideo, Punta del Este.

TÖBANK

worldwide banking



HEAD OFFICE - FOREIGN DEPARTMENT

P.O. Box 12100, Ankara

Branches: 25 in Turkey, 100 in 30 countries

Capital: 100,000,000 TL

Reserves: 10,000,000 TL

Assets: 1,000,000,000 TL

Liabilities: 1,000,000,000 TL

Employees: 1,000

Telephone: 0312 222 2222

Telex: 222222 TÖBANK

UK newsprint industry struggles for survival

BY WILLIAM HALL

THE COLLAPSE of the brave plan by Wiggins Teape and Consolidated Bathurst to build a £100m newsprint mill at Fort William in Scotland has again focused attention on the uncertain future of newsprint production in Britain.

Britain is the third largest consumer of newsprint in the world. The U.S. uses around 10m tonnes a year, Japan 2.5m tonnes a year and Britain 1.5m tonnes. The Soviet Union, West Germany and Canada consume another 3.5m tonnes between them. These six countries account for over two-thirds of the world's annual consumption of 25m tonnes or so of newsprint.

In spite of its impressive position as a user of newsprint, Britain's domestic newsprint industry is struggling for survival. There are few who give much for its chances unless the Government decides that it wants to keep the industry alive. The story of the Fort William project is hardly encouraging.

Ten years ago Britain was producing over half the 1.5m tonnes of newsprint it then consumed each year. In 1979 when British newsprint machines were running flat out, Reed and Bowater (the only two still left in the game) produced a mere 384,000 tonnes.

During the past decade the newsprint market in Britain has stagnated — fluctuating between 1.3m tonnes and 1.8m tonnes a year. The two domestic producers have been losing money for years, and Bowater, in particular, has made little secret of the fact the time is fast arriving when it will have to cease making newsprint in Britain.

Bowater produces around two-thirds of Britain's domestic output, contributes £35m per

annum to the balance of payments (by displacing imports) and uses some 390,000 tonnes of home-grown timber — a significant proportion of the country's annual timber production. Bowater's UK newsprint operations are a drop in the ocean by comparison with its huge North American plants. It ranks among the top two or three newsprint producers in the world, and makes more than seven times as much newsprint abroad as it does at home.

The closure of its main British newsprint mill at Ellesmere Port would cause no major supply problem. Bowater could easily supply the British market from its Calhoun mill in Tennessee, which is the largest in North America.

For Reed Paper, which uses a high proportion of waste paper in its UK newsprint production, the case for closure is

not so clear cut. Reed owns a string of British newspapers and has an interest in maintaining a local source of supply as a precaution against overseas strikes. In addition, its Aylesford, Kent, newsprint machines are an integral part of that site — one of the largest paper-making sites in Europe — and their closure would upset the balance since it would leave excess generating capacity.

However, even Reed, which built itself up on the profits of its original newsprint operation in Kent, will not always be prepared to pour good money after bad maintaining newsprint production in the UK. The time may not be far off when Britain has to import all its newsprint.

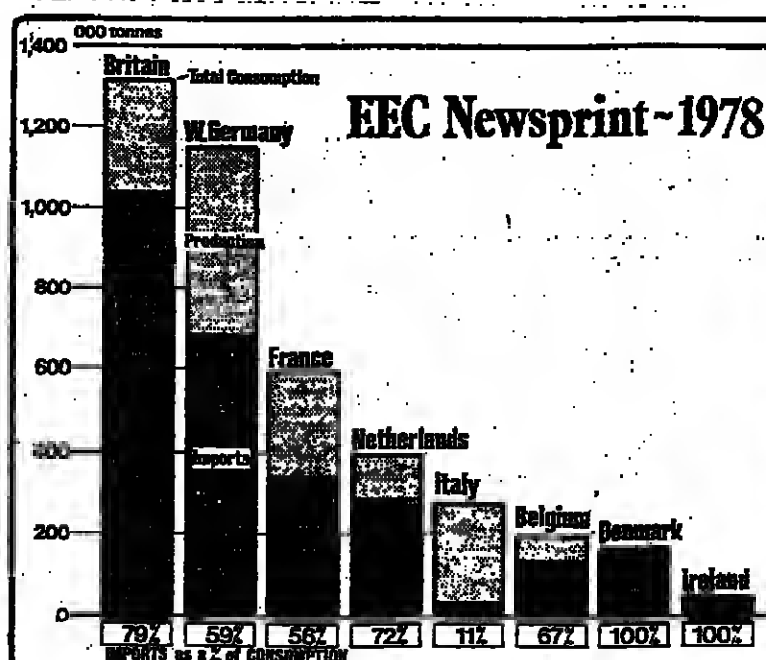
For years successive Governments and newspaper publishers have paid lip service to the need for an indigenous newsprint industry. Apart from pro-

viding a useful cushion against overseas strikes it is important in times of international crisis when imports may be cut off, they argue. But British publishers are not prepared to pay a premium price for the privilege of buying home-made newsprint, as Bowater found last year when it tried to raise its prices above the market rate.

Take any other major newsprint market in the world and the domestic industry is in a much healthier state than it is in Britain. Japan produces virtually all its own newsprint, while over half the American and West German newsprint consumption is met by imports, both countries are investing heavily in new capacity to reduce their dependence on foreign suppliers.

According to the latest survey of new projects carried out by the Food and Agricultural Organisation of the United Nations, West German newsprint capacity is intended to rise by over 50 per cent between 1978 and 1983. In the U.S. capacity is being increased by over a quarter.

By contrast, Britain is not investing in new capacity and its newsprint machines are so old that they are unsuitable for producing large quantities of paper for offset litho printing, one of the few growth areas in the British newsprint market. Nevertheless, the machines are better than many others. Dr. Ingram Lenton, Bowater's UK chief executive, describes them as at the "top end of the second division." Certainly there are economies of scale in having large modern machines capable of producing 150,000 tonnes per annum. But their absence is not the real reason for the decline of the industry.



BRITAIN'S EIGHT MACHINES

Albert E. Reed, founder of Reed International, was the father of the UK newsprint industry.

Reed built his first newsprint mill in 1894 at Maldstone in Kent. Bowater and others soon followed.

Until 1970 there were five domestic producers of newsprint supplying over half the UK market. However, only Reed and Bowater are now left.

Bowater is the bigger of the two and operates two mills at Ellesmere Port, Cheshire, and at Kemsley in Kent. There are three machines with a total capacity of 180,000 tonnes per annum at Ellesmere Port and two machines at Kemsley, with a combined capacity of 40,000 tonnes per annum. Bowater employs close to 2,000 people in newsprint production.

Reed employs 300 at its two newsprint mills at Aylesford and Gravesend, Kent. The two machines at Aylesford can produce 100,000 tonnes and the one machine at Imperial Mills, Gravesend, 35,000 tonnes. Bowater relies largely on domestic timber for its newsprint production but Reed mainly uses waste paper.

Letters to the Editor

The virtues of a spread

From Mr. R. Mitchell.

Sir, — The "conclusion" of Messrs. Greenwell (Lex, May 12) that the risks attendant upon a UK gross fund investing in foreign currency fixed-interest securities are simply not worth the candle appear at first sight to be admirably documented. There are a few points, however, which are worth mentioning.

Bretton Woods is actually dead. There is no sign of life in the corpse, which is indeed hardly surprising considering that it was laid to rest of Mr. Nixon.

In consequence we live in a world of floating currencies, a condition which at first considered unworkable if not downright impossible. It seems to have come to stay — at least I have not heard of anyone with an idea which would lead out of it.

Exchange control is not dead, but sleeping. Long may it sleep on, and meanwhile the inmates of our former island currency prison can wander abroad — if they have the imagination to do so. That, however, seems to be in doubt.

Given this new freedom, the responsible trustee, acting as a prudent man set fit might well prove unworthy of the description if he continues to hold all his eggs in what may prove to be a somewhat fragile basket of Sterling. There is something about the inflation rate, not to say some of its more intractable components, such as the assumed right to live in reasonable style at everyone else's expense, which is not pointing in the same direction as North Sea oil. The latter is the fashion of the moment, but it was not so quite a short while ago, when it was perfectly certain that it was coming, nor has the UK's industrial prospect improved in the meantime.

I submit, therefore, that prudent investment practice is no more a matter of mathematical formulae today than it ever was, albeit mingled with rather sweeping assumptions and the use of convenient start dates. It remains a philosophical art, not a science, and the virtues of "spread" are the same as ever, and fundamental where risk is concerned. Where trustees, or other owners of funds, do not find it economical to employ someone direct with the necessary knowledge, they can always obtain such service.

Richard Mitchell, The Old House, Aldham, Mr. Colchester, Essex.

Prestel users

From the Sales Promotion Manager, UK and Ireland, Qantas Airways

Sir, — I refer to the business travel supplement (May 12) and in particular to the article by David Bell. He makes reference to a facility by which Prestel users may effect reservations with Qantas, write their own tickets and pay for them by means of direct access to the Qantas computer.

The above is not the case, for Prestel is not linked to the Qantas computer. What in fact can happen is that Prestel users may request Qantas flights

Shareholders' interest

From Dr. A. Beard.

Sir, — I read with interest your article (May 10) on investment trust directors. It was my impression that the directors of investment trusts were paid by shareholders to look after the best interests of the shareholders but it seems from your article that the main interest of investment trust directors is to hang on to their funds and the financial welfare of the shareholders.

(Dr.) A. W. Beard, 15, Upper Wimpole Street, W.1.

Attractive investment

From Professor B. Tew

Sir, — Spokesmen for the investment trust movement constantly assure us that the fact that investment trust shares currently stand at a considerable discount on their asset value makes them a highly attractive investment. Why, then, do not investment trust companies themselves invest more of their own portfolios in the shares of other investment trust companies?

(Professor) Brian Tew, Department of Economics, University of Nottingham, Nottingham Park, Nottingham.

Comforts of a good hotel

From the Chairman, Park Lane Hotel

Sir, — Mr. David Bell's article "Big hotel chains geared to the seasonal traveller" (May 21) is full of interesting facts but his conclusions hardly stand up to close examination. For instance, he writes "any experienced traveller knows of course, that for all their efficiency, modern hotels can sometimes be as frustrating as the old family owned institutions they have replaced," and again "all the research shows that most business travellers gravitate towards the large chains."

He misses the point that it is quite possible to provide the business traveller's requirements be listed — such as quick registration and check out, telephones that work, a comfortable bed, hot water and good room service at reasonable prices while retaining the special relationship between innkeeper and guest which marks out the best private hotels. Furthermore, there are international co-operative reservation services that enable individual units to offer all the

Milk retailing inquiry

From the Chairman, Creamline Dairies

Sir, — The report (May 6) by David Churchill, your consumer affairs correspondent, gave some of the reasons for the comparative costs of selling milk on the doorstep as opposed to selling it through supermarkets. As he says, the costings system is complicated, but it is in no way responsible for the fact that supermarket milk is often dearer; this is because it has to be packed in a non-returnable container as, very few of the expensive glass bottles would be returned if they were used.

Glass bottles cost approximately 5p each, but can be used about fifty times before being lost or broken if their use is restricted to household delivery, so the unit price works out at one tenth of one penny per pint. Non-returnable cartons however, cost nearly 14p each and take much longer to fill so the unit cost is nearly 14 pence more per pint.

If space were available it would be possible to demonstrate that in fact, it is the doorstep trade which is subsidising shop prices, and not the reverse as is claimed by the supermarket chains.

W. S. Roe, Creamline Dairies, Weymouth Road, Eccles, Lancs.

Cricket in Corfu

From Mrs. C. Chatfield

Sir, — Your article on cricket in Corfu (May 10) reminded me that last summer while watching a game in that town one of the players hit a six right through the window of a small shop. The owner, justifiably annoyed by the noise, threw the ball until a police car arrived and order was restored, and the game continued.

Almost the next ball was also hit for six — straight through the police car's windscreen! (Mrs.) Vivienne Chatfield, South Corner, Glen Road End, Wallington, Surrey.

Flying from Glasgow

From Mr. J. Francey

Sir, — I travel by British Air from Glasgow to London every two months to do a week's business, and over the past six years have seen the return fare go from something in the area of £40 to £94. Without any pres-

A few dollars more

From Mr. W. Hulton

Sir, — Only a fraction of the programme referred to so scathingly in his Lombard Column (May 9) was devoted to the idea that the Hunt brothers might have engineered the fall of the silver price so they might subsequently buy it more cheaply. Had Anthony Harris listened to the programme he would have discovered that that reference largely consisted of a pithy refutation of the idea and that the author of those remarks was none other than Mr. Harris.

Pillory us, if you must, for what we actually broadcast not for what you think we have broadcast.

Will Hulton, (Producer, "For a few dollars more") BBC, Broadcasting House, W.1.

Unbanked Britons

From Mr. P. Blackman

Sir, — Michael Lafferty, your Banking Correspondent, writes (May 3) a very lucid and detailed article, with statistics stating that only 29 per cent of manual workers have cheque accounts. He states that banks are considering how they may best encourage this and other groups to get the banking habit.

A very large proportion of our customers come from these groups and although we have seen a tenfold increase in payments by cheque in the last three or four years (especially since the advent of cheque guarantee cards) most customers still pay with cash (which we prefer).

Until the banks realise, however, that being open from 9.30 to 3.30, Monday to Friday virtually debars the average working man from attending their premises, they will certainly not capture his custom.

In the rare situation where a bank is almost next door to his or her place of employment, the long queues which form during the lunch period, when some of the bank staff are also at lunch, still deter the potential customer.

P. Blackman, 28A, Cheshire Street, Bethnal Green, E2.

GENERAL

UK: Dr. Francisco sa Carneiro, Prime Minister, and Prof. Diego Freitas do Amaral, Foreign Minister of Portugal, meet Mrs. Margaret Thatcher and Lord Carrington in London to discuss joining EEC.

Mr. R. Leigh Pemberton, National Westminster Bank chairman, speaks at Sand and Gravel Association conference, Torquay (to May 20).

General and Municipal Workers Union annual congress, Bournemouth (to May 22).

Union of Post Office Workers annual conference opens, Black-

Today's Events

pool (to May 23).

Board of Investigation inquiry opens in London into grounding of tanker Amoco Cadiz.

Dr. Edward de Bono, Cognitive Research Trust director, lectures on "Communication and Change", Institution of Mechanical Engineers, London.

The Queen visits the Chelsea Flower Show.

Overseas: European Parliament session opens, Strasbourg (to May 23).

Mint Directors Conference and

Exhibition opens, Utrecht (to May 21).

International Advertising Association 27th World Congress, Durban.

PARLIAMENTARY BUSINESS

House of Commons: Housing Bill, remaining stages. Dental Qualifications (EEC recognition) Order.

House of Lords: Transport Bill, committee. Dental Qualifications (EEC recognition) Order.

OFFICIAL STATISTICS

Turnover of the catering trades

(first quarter). Index of industrial production (March—provisional).

COMPANY MEETINGS

See Financial Diary on Page 21.

COMPANY RESULTS

Final dividends: Bishopsgate Trust, Caledonian, Robert Evered Holdings, Hawker Harris, The Land Securities, Investment Trust, Outwich Investment Trust, Readcut International, H. Samuel.

Interim dividends: Cambrion and General Securities, Management Agency and Music, The Reo Stakis Organisation.

How to improve the banking service you get, when you're perfectly happy with the service you've got.



Having the Bank of Boston as your second bank will improve the relationship with your first bank. It will remove the nagging problems that cost you money and can harm the relationship.

It can get international payments credited to you in one day instead of six, keep your financial officer in direct touch with an experienced foreign exchange dealing department instead of a local branch and give you personal contact with an experienced international banker.

Bank of Boston is one of the top ten US international banks. It has branches and affiliates in 43 countries. It's one of the oldest continuously chartered banks in America, older even than Barclays, Midland, NatWest and Lloyds. And it's been going strong for 58 years in the United Kingdom.

What's more, our Corporate Banking Group is sparing no effort or expense (including this advertisement) to put our sophisticated personal service to work for medium-sized UK companies.

Take this opportunity to contact us and put one of the most potent forces of capitalism to work on your banking competition.

Contact: Chris Howe at The First National Bank of Boston, Bank of Boston House, 5 Cheapside, London EC2P 2DE. Tel: 01-236 2388. Telex: 885125.



Competition makes better banking

OFFICES IN: ARGENTINA, AUSTRALIA, BAHAMAS, BOLIVIA, BRAZIL, CHINA, ISLANDS, DOMINICAN REPUBLIC, FRANCE, GERMANY, GUATEMALA, HAITI, HONG KONG, JAPAN, KOREA, LUXEMBOURG, MEXICO, NIGERIA, PANAMA, SINGAPORE, SPAIN, UK, USA, URUGUAY, VENEZUELA.

Oakwood comes to market

STOCKBROKERS Capel-Cure Myers are bringing another company to the market. Today the prospectus is published for the placing of a quarter of the equity in Oakwood Group. The placing is of 500,000 shares at 85p each raising £425,000 and valuing the whole company at £1.65m.

Oakwood is a holding company with two operating subsidiaries, both with their roots established at the beginning of the century.

Clough Smith provides a service covering a wide variety of electrical and associated civil engineering work. The three main activities are overhead transmission lines, cabling and electrical distribution systems and railway cabling.

Contracts at Clough are running roughly 50:50 between the UK and overseas at present, though the split varies. Overall the company has an order book of £8.7m, including £3.3m with the Electricity Board and other public undertakings. Projects on hand include two contracts in Kenya worth £4.5m.

All contracts longer than a year include inflation clauses.

The other operating arm, Frank Love, is the country's largest stockist and distributor of water fittings and sanitaryware to builders' merchants and other retail outlets.

Frank Love is currently negotiating for the lease on a new 5,000 sq ft warehouse at Camberwell which will be used as a distribution point for London and the Home Counties.

The companies came together when they were bought by Lombard North Central. When National Westminster Bank took over Lombard, the industrial trading arm was sold off for around £500,000 to Edward Chambers who had run the division for Lombard.

Mr. Chambers financed the purchase with the banking of a merchant bank. Several of the companies acquired from Lombard were sold fairly quickly, raising around £500,000, which enabled Chambers to repay the merchant bank and operate Clough and Frank Love under the Oakwood holding company.

The Clough company has a small minority holding—Oak-

BOARD MEETINGS		
The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.		
TODAY		
Intermar Australia and New Zealand Banking, Commercial and General Securities, J. H. Fennell, Management Agency and Music, Real Estate Organisation.	May 22	
Finair: Sisuoposte Trust, Calabroad Robey, El Oro Mining and Exploration, Evered, Exploration Company, Hawker Marine, Land Securities Investments	May 22	
FUTURE DATES		
Trust, Outwith Investment Trust, Redwood International, N. Samuel.	May 22	
Intermar: Allied London Properties	May 22	
Homiray	May 22	
Leadco & Dist Dyers & Finishers	May 22	
Merland	May 22	
Northern Ind. Improvment. Tr.	May 22	
Finair: Beachco	May 22	
Fidelity Radio	May 22	
Gates (Frank G.)	May 22	
Horrover	May 22	
Held Bros	May 22	
Normand Electrical	May 22	
Read International	May 22	
Seacros	May 22	
Young & Co.'s Brewery	May 22	

wood controls 85.5 per cent—which is held by 15 shareholders who are members of the original family and ex-employees.

Originally Mr. Chambers had been the view that his company was too small in bringing to the market with a fully fledged listing. "The dialogue with Capel-Cure started around the end of last year and I was aiming for a 163 listing. But by the time I got to the 11th hour I realised that the amount of undertaking and exposure was just about as stringent as for the primary market and I was advised there was no reason I could not go for a full quote."

Of the £425,000 being raised for the owners by the placing, £180,000 will immediately come to the company. When operating as a private business Oakwood purchased a home for the Chambers family. Mr. Chambers is now buying the house from the company with part of the cash he will be raising from selling his shares.

Apart from the obvious reasons of raising cash for the directors and their families Oakwood is after a full quote because the directors believe it will enhance the company's reputation in the contracting field, especially when tendering for work overseas.

Also Oakwood is interested in making acquisitions. This will probably take the form of a "third leg" to the business but will be in a sector related to the "construction" type of operation it has at present.

The company's record shows

steady growth for Frank Love. There was a profit of £94,000 on sales of £1.48m in the year to September 30 1979 and by 1979-1978 profits had expanded to £228,000 on sales of £3.75m.

Clough Smith's record is far more erratic. In 1974-75 it recorded a £32,000 loss on sales of £3.8m. There was an improvement in the following two years but in 1977-78 profits collapsed from £180,000 to £24,000. Last year it made a profit of £275,000 on turnover of £4.97m.

Director Geoffrey Colleshill explains that the 1975 loss was caused by "a couple of difficult contracts in Jordan resulting from bad tendering by a director who has since left." The downturn in 1977-78 happened because of its attempt to expand in Scotland. "We went as far North as we could," says Mr. Colleshill, "up as far as Shetland and the Orkneys. It was like running an overseas job. We diversified outside our usual activities and tendered in ignorance." It was also a year of extreme weather which caused problems and Clough withdrew completely and closed the Scottish office.

The directors are forecasting profits of £700,000 for the current year, of which 65 per cent will be provided by Clough Smith. On this basis they intend to pay a full dividend of 4.5p per share. Had the company been quoted for a full year they would have paid 5.5p per share, which would be covered 2.4 times by fully taxed earnings.

The balance sheet, dated September 1979, shows net

borrowings of £288,000 and shareholders' funds of £2.14m.

comment

At 85p Oakwood is coming to the market on a prospective fully taxed p/e of 5.2 and yield of 11.2 per cent while the asset backing is 107p a share. It is an undemanding rating and, bearing in mind that very little stock will be available to the market, dealings should open up with a reasonable premium. Yet the market should not let the rating get too euphoric. The Clough record is patchy and while the company says it has learnt its lessons from the events of 1975 and 1978 the experiences are too recent to be complacent that setbacks will not be repeated. It operates in sectors tied to nationalised industries and Government spending. Defence contracts for example may be encouraging at present but street lighting work is reducing. Also some of the jump in Clough's profits this year reflects the company making up lost ground after the Scottish setback. Frank Love, meantime, is sluggish with the forecast taking in only a very modest advance.

The range and spread of the company's customers in selling markets has continued to expand, especially in the commercial sector. The directors look on the Euro-sterling market as one of increasing importance for the development of new outlets and contracts.

The chairman says the company will be opening a representative office on Wall Street, New York, in June, with the aim of acquiring and developing new business in Euro-dollar certificates of deposit and in sterling money market instruments.

The notes to the accounts show that four writs claiming DM 20.94m (£5.12m) have been issued against a wholly-owned subsidiary, Gerrard International, in connection with nine bills of exchange purchased by the company and resold in the normal course of its business. The purchasers have also issued writs against the bank which guaranteed the bills.

Gerrard International has started proceedings against the vendors of the bills and the guaranteeing bank. The directors believe no loss should arise.

The group incurred a loss after tax of £1.2m in the year to April 5, 1980, against a profit of £5.01m last year, as reported on May 1. The net total dividend is being stepped up to 11.5p (£1.24p).

Current assets totalled £1.2m (£1.21m) at the year-end, including cash at bankers and in hand of £1.88m (£3.35m). Current liabilities amounted to £1.17m (£1.18m).

Meeting, 32 Lombard Street, on June 12 at noon.

Prince of Wales at £0.47m

WITH INTEREST charges substantially higher at £216,023 against £96,155, pre-tax profits of Prince of Wales Hotels dropped from £504,391 to £470,701. There was a tax credit of £24,886 against a charge of £97,102 last year, resulting in profits of £495,687 compared with £407,289. Stated earnings per 25p share of this north of England hotelier are 12.24p against 10.05p, and the final dividend is raised from 0.645p to 0.9675p, making the total 1.7175p (1.145p).

Revaluation of fixed assets has produced a surplus of £1,172,179. Repairs, replacements and refurbishments have increased by £18,280.

Encouraging start for Gerrard & National

THE CURRENT year has started on an encouraging note for Gerrard and National Discount Company, with its book being considerably lengthened in recent weeks, says Mr. R. G. Gibbs, chairman, in his annual statement.

The range and spread of the company's customers in selling markets has continued to expand, especially in the commercial sector. The directors look on the Euro-sterling market as one of increasing importance for the development of new outlets and contracts.

The chairman says the company will be opening a representative office on Wall Street, New York, in June, with the aim of acquiring and developing new business in Euro-dollar certificates of deposit and in sterling money market instruments.

The notes to the accounts show that four writs claiming DM 20.94m (£5.12m) have been issued against a wholly-owned subsidiary, Gerrard International, in connection with nine bills of exchange purchased by the company and resold in the normal course of its business. The purchasers have also issued writs against the bank which guaranteed the bills.

Gerrard International has started proceedings against the vendors of the bills and the guaranteeing bank. The directors believe no loss should arise.

The group incurred a loss after tax of £1.2m in the year to April 5, 1980, against a profit of £5.01m last year, as reported on May 1. The net total dividend is being stepped up to 11.5p (£1.24p).

Current assets totalled £1.2m (£1.21m) at the year-end, including cash at bankers and in hand of £1.88m (£3.35m). Current liabilities amounted to £1.17m (£1.18m).

Meeting, 32 Lombard Street, on June 12 at noon.

Hammerson pays £1½m for Woolgate House freehold

BY MICHAEL CASSELL

Hammerson Property and Investment Trust has paid the £1½m for the freehold of Woolgate House in the City.

The deal is likely to add around £10m to the value of the property, included in Hammerson's 1979 accounts at a figure of £75m.

The purchase of the freehold comes six months after Hammerson gained 100 per cent ownership of the long leasehold on the 27,000 sq ft office building through its purchase of Reunion Properties.

Reunion held the 25 per cent stake in Woolgate House and already in Hammerson's hands and at the time of the takeover the Hammerson directors estimated that 100 per cent ownership of the property would result in a valuation of around £75m.

The £75m has duly been included in the 1979 accounts, published today, but Hammerson says that following the purchase of the freehold, another valuation will be made at the end of 1980. Mr. Sydney Mason, chairman, says the marriage value of the deal is around £10m.

Until the end of last year, the 1980 valuation figure of £225m on Woolgate House had remained unchanged with Hammerson's 75 per cent interest held in the accounts at £18.75m. Woolgate House is now entirely occupied by Chase Manhattan Bank, which is carrying out extensive alterations to the building. Rental income from the property, developed by Hammerson and Reunion and completed in 1968 at a cost of less than £7m, is now over £25m a year.

Mr. Mason also tells shareholders that Hammerson has let to the National Freight Corporation the remaining 45,000 sq ft in the Merton Centre, Bedford, which was acquired as part of the Reunion package. It had been expected that a letting could take up to two years.

On prospects for the UK

property development market, the chairman once again believes opportunities in the UK are extremely limited. The 1979 accounts put UK capital commitments at only £850,000 against £20.5m in Canada, the cost of the fourth phase of the company's Bow Valley Square scheme in Calgary, where a "significant" amount of letting has already been achieved despite the late 1982 completion date.

Mr. Mason says that development activity taking place in the UK usually involves companies which have owned sites for some time or institutions which are being tempted into direct development. In many cases, the schemes now under way are of a size and time scale which would normally be undertaken by an experienced and well-established property company.

As reported on April 26, Hammerson's pre-tax profits for 1979 rose from £8.16m to £7.83m with earnings per share up from 11.56p to 10.75p. The directors proposed 1980 dividends totalling 18p (12p) but as a result of the proposed one-for-one scrip issue the intention is to recommend an interim of 2 1/2p and a 5p final on the doubled capital.

Rental income rose from £25.94m to £27.29m while short-term borrowings increased—

largely as a result of the Reunion purchase — from £45.54m to £54.37m. Meeting: 100, Park Lane, June 16, noon.

J. Billam earns and pays more

Continued expansion of the engineering interests pushed pre-tax profits of J. Billam, cutter and sheet metal engineer, to a record £375,124 in 1979, compared with £285,574.

But the year was extremely difficult, say the directors. They intend to continue rationalisation of the cutlery division in an effort to improve profitability in 1980.

Earnings per share, after tax of £84,386 (£155,050) are shown up from 8.9p to 19.35p, and the dividend is raised to 4.3p net (£4.703p) with a final of 3.5p.

UNITECH 97.5% ACCEPTED

The recent one-for-10 rights issue of Unitech, which was to raise approximately £3m for the company's net of expenses, has been accepted as in 97.5 per cent.

M. J. H. Nightingale & Co. Limited

27/28 Lower Lane London EC3R 8EB Telephone 01-621 1212

1000's capitalisation	Company	Last Change	Gross Price on week BP	Yield %	P/E
3,818	Airproving	66	—	6.7	10.3
820	Armstrong and Rhodes	72	—	1.8	2.15
8,401	Bardee Hill	25	—	13.8	5.0
800	County Cars 10.7% P.M.	80	—	15.3	18.1
5,439	County Cars 10.7% P.M.	80	—	15.3	18.1
4,424	Frank Horrell	118	—	7.9	2.4
14,302	Frederick Pactor	99	—	12.8	12.9
2,238	George Blair	105	—	15.5	15.7
1,725	Jackson Group	89	—	5.2	7.5
14,768	James Burroughs	107	—	7.2	8.7
2,876	Robert Jenkins	282	—	31.3	11.1
2,424	Todday	23	—	1.1	1.3
2,778	Twinklond Org.	13	—	0.8	0.5
1,911	Twinklond 12% DLS	701	—	12.0	17.1
6,137	Unitech Holdings	47	—	2.6	5.5
1,012	Unitech Holdings New	46	—	2.4	4.7
11,622	Walter Alexander	32	—	4.4	6.0
4,714	W. S. Younts	202	—	12.1	6.0

† Accounts prepared under provisions of SSAP 18.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rate for deposits received not later than 6.6.80.

Term (years)	3	4	5	6	7	8	9	10
Interest %	14	14	14	14	14	14	14	14

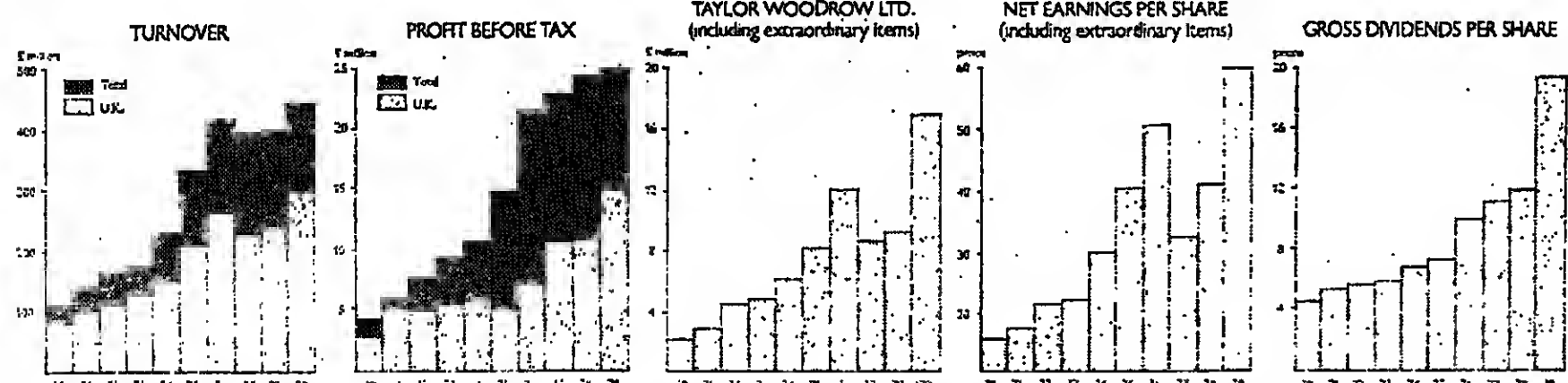
Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-925 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI. FFI is the holding company for ICFC and FCI.

Public Works Loan Board rates

Effective from May 17		Non-quota loans A* repaid	
Quota loans repaid	by EFT	At maturity	At maturity
Up to 5 years	14 1/2	14 1/2	14 1/2
Over 5, up to 10	14 1/2	14 1/2	14 1/2
Over 10, up to 15	14 1/2	14 1/2	14 1/2
Over 15, up to 25	14 1/2	14 1/2	14 1/2
Over 25	14 1/2	14 1/2	14 1/2
101 = Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.			

"Improved results for the nineteenth consecutive year"

Mr Dick Puttick, Chairman.



In 1979, despite widespread strikes and industrial unrest in the UK, and the worst winter for 30 years, our results are not unsatisfactory and show improvement for the nineteenth consecutive year.

During the year the limitation on capital expenditure in the public and private sectors continued and thus restricted the volume of new construction work available in this country. Nevertheless we secured a substantial amount of building work here.

We increased our investment and participation in the production and marketing of opencast coal in the United States and widened our operations for the provision of on-shore and off-shore support facilities to the North Sea oil industry.

Overseas generally we have had quite a good year, despite a reduction in earnings from the Middle East. The returns we received from overseas when added to those from our U.K. operations yielded group profits a little up on those of the previous year, with a greater emphasis towards the U.K.

Accounts and Dividends

The turnover for 1979, including our share of associated companies, at £438 million compares with £393 million as stated in the 1978 accounts.

The treatment of Taylor Woodrow of Nigeria Limited and Taymech Nigeria Limited as associated companies in 1979 has a material effect on this comparison.

Had these companies been included as associated companies in 1978 the turnover would have been £373 million and the real increase in 1979 £65 million or 17%.

Profit before taxation at £24.6 million compares with £24.0 million in the 1978 accounts. Had the Nigerian companies been treated as associated in 1978 the increase would have been £1.8 million or 8% of profits before tax.

Overseas earnings were adversely affected by nearly £600,000 because of movements of exchange rates in favour of sterling during the year.

After deduction of taxation and minority interests and addition of extraordinary items the profit available to Taylor Woodrow Limited was £16.9 million.

This represented an increase of £7 million over 1978, of

which a large part is accounted for by the reduced tax charge in 1979 which includes a release of £4 million deferred tax in respect of stock relief for 1973 and 1974.

Earnings have accordingly increased substantially to 56.9p per share, of which 14.3p is accounted for by this deferred tax release.

The board has recommended a final dividend of 10.1570p per share which, together with the interim dividend of 3.1500p and the supplementary dividend of 0.2904p for 1978 already paid, makes a total of 13.5974p per share for the year. With the addition of imputed tax credit at 30% this makes 19.4249p compared with 12.2647p per share in respect of 1978.

I would emphasise that in a group such as ours, engaged in activities which sometimes extend over long periods of time, the results should be judged over a number of years rather than over a single year in isolation.

Generally

On 30th June, Sir Frank Taylor, who founded the business 59 years ago relinquished his office of Group Managing Director and was appointed the company's first Life President. He continues to serve as an executive director.

On 2nd July Messrs. R. E. Aldred, N. C. Baker, F. R. Gibb and B. S. L. Trafford were appointed joint managing directors, with myself continuing as Chairman and Chief Executive. Messrs. P. R. L. Drew, J. Millar and R. P. Whitelaw were appointed to membership of the board on the same day.

Our thanks and appreciation go to our many clients for having entrusted us with their work and to the professional people, together with subcontractors and suppliers, all of whom provide us with the co-operation and service which is so essential in carrying out our contracts. Thanks also to all our team members, many of whom are working in remote areas and often in unsocial conditions.

I had the pleasure of meeting some of them during a recent visit to our construction sites in the Far East. We are indeed privileged to have such people.

Finally I would like to record my thanks to my colleagues on the board for their help and guidance so freely given.



Taylor Woodrow International Ltd.

EXPERIENCE, EXPERTISE AND TEAMWORK, WORLDWIDE

TAYLOR WOODROW

NEI Annual Results - 1979

"The Group made a good start in the current year . . . and faces the future with confidence."

The Chairman, Mr. Duncan McDonald, CBE, states:

1979 was a difficult year. However we have maintained satisfactory liquidity without curtailing capital investment and have a strong balance sheet. The resilience shown by many of our trading units in adapting to changing markets is encouraging.

We made a good start in the current year and substantial orders are expected from the nuclear power station programme which has been recently confirmed by the Government.

The Group remains soundly based and faces the future with confidence.

	1979	1978
Turnover	£453m	£451m
Profit before taxation	£18-130m	£30-464m
Profit attributable to NEI Shareholders (after taxation & extraordinary items)	£7-927m	£22-740m
Earnings per ordinary share (excluding extraordinary items)	5-85p	14-82p
Dividend per ordinary share	3-75p	3-75p

The dividends and earnings per share have been adjusted to reflect the capitalisation issue in July 1979.

The Annual General Meeting will be held on Wednesday 11th June at 12 noon at the Royal Station Hotel, Newcastle upon Tyne. Copies of the Report are available from the Company Secretary, Northern Engineering Industries Ltd., NEI House, Regent Centre, Newcastle upon Tyne, NE3 3SL.

Northern Engineering Industries Ltd

NEI Brice Poulton Ltd • NEI Clarke Chapman Coates Ltd • NEI Clarke Chapman Engineering Ltd • NEI Clarke Chapman Power Engineering Ltd
NEI Electronics Ltd • NEI International Construction Ltd • NEI John Thompson Ltd • NEI Parsons Ltd • NEI Raynor Ltd • NEI Thompson Chapman Ltd
NEI International Ltd • NEI Overseas Ltd • NEI Projects Ltd

1

Indices

NEW YORK

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include Industrial, Time's ends, Transport, Composites, and Vol.

Day's High 329.55 low 319.11

STANDARD AND POORS

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include Industrial, Composite, Ind. div. yield %, and Div. P/E Ratio.

N.Y.S.E. ALL COMMON

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include Issue Traded, Volume, High, and Low.

MONTREAL

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include Industrial, Composite, and TORONTO Composite.

TORONTO Composite

NEW YORK ACTIVE STOCKS

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include Industrial, Composite, and TORONTO Composite.

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HOLLAND, JAPAN, ITALY, and NORWAY.

SINGAPORE

STRAITS TIMES

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include AUSTRIA, BELGIUM/LUXEMBOURG, and GERMANY.

SINGAPORE

STRAITS TIMES

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

Table with 10 columns: Date (May 10-14), 1980, and Since Comp'l'n. Rows include AUSTRIA, BELGIUM/LUXEMBOURG, and GERMANY.

SINGAPORE

STRAITS TIMES

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

WORLD

SWEDEN

SWITZERLAND

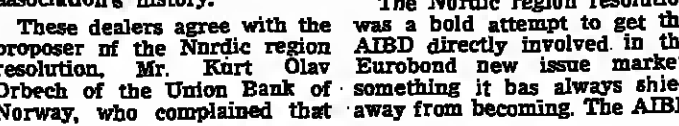
WORLD

INTERNATIONAL BONDS

BY OUR EUROMARKETS STAFF

CURRENT INTERNATIONAL BOND ISSUES

It was defeated by 178 votes to 120. Despite this defeat, there was obvious frustration among dealers present at the



Lex, Eurosterling FRNs, Back Page

BY PETER MONTAGNON

U.S. BONDS

BY IAN HARGREAVES

Volcker puts the brakes on rally

Even optimistic Administration economists, who believe they will have the consumer index down to a less than 10 percent rate by the next and ad-

cent rate to the "underlying rate of inflation" (inflation) in such things as interest rates and sudden boosts from high energy costs) is probably still going up and that it is certain still well in excess of 10 per cent and perhaps as high as 13 per cent.

Unless bond traders become utterly uncharacteristically optimistic, it is hard to see how yields on a 30-year Treasury bond should, at this stage, be much below the 10.4 per cent range they are trading at.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS				Change on week				EUROBOND INDEX AND YIELD				U.S. Bonds			
Issued	Bid	Offer	day week Yield					Issued	Bid	Offer	day week Yield				
Alcoa of Australia 10 86	60	90	94 1/2	-0 1/4	+0.11,63			Alcoa of Australia 10 86	60	90	94 1/2	-0 1/4	+0.11,63		
Australian Res. 5 84	30	94 1/2	94 1/2	-0 1/4	+0.11,36			Australian Res. 5 84	30	94 1/2	94 1/2	-0 1/4	+0.11,36		
Beneficial Fin. 5 87	100	88 1/2	88 1/2	-0 1/4	+0.11,97			Beneficial Fin. 5 87	100	88 1/2	88 1/2	-0 1/4	+0.11,97		
CECA 1 12 90	50	96 1/2	96 1/2	-0 1/4	+0.12,86			CECA 1 12 90	50	96 1/2	96 1/2	-0 1/4	+0.12,86		
CECA 1 12 90	50	96 1/2	96 1/2	-0 1/4	+0.12,86			CECA 1 12 90	50	96 1/2	96 1/2	-0 1/4	+0.12,86		
Canadian Pacific 5 89	50	91 1/4	91 1/4	-0 1/4	+0.11,35			Canadian Pacific 5 89	50	91 1/4	91 1/4	-0 1/4	+0.11,35		
Comcast 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48			Comcast 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48		
Continental Corp. 9 86	100	90 1/2	90 1/2	-0 1/4	+0.11,79			Continental Corp. 9 86	100	90 1/2	90 1/2	-0 1/4	+0.11,79		
Dome Petroleum 10 94	54	83 1/2	83 1/2	-0 1/4	+0.12,58			Dome Petroleum 10 94	54	83 1/2	83 1/2	-0 1/4	+0.12,58		
Domestic Petroleum 10 94	54	83 1/2	83 1/2	-0 1/4	+0.12,58			Domestic Petroleum 10 94	54	83 1/2	83 1/2	-0 1/4	+0.12,58		
Emmington Bridge 10 84	94	33 3/4	33 3/4	-0 1/4	+0.12,44			Emmington Bridge 10 84	94	33 3/4	33 3/4	-0 1/4	+0.12,44		
Eis 11 82	80	96 1/2	96 1/2	-0 1/4	+0.12,66			Eis 11 82	80	96 1/2	96 1/2	-0 1/4	+0.12,66		
Eis 13 85	100	92 1/2	92 1/2	-0 1/4	+0.12,66			Eis 13 85	100	92 1/2	92 1/2	-0 1/4	+0.12,66		
Exxon 11 82	50	97 1/2	97 1/2	-0 1/4	+0.12,75			Exxon 11 82	50	97 1/2	97 1/2	-0 1/4	+0.12,75		
Export Dev. Cpn. 5 84	150	94 1/2	94 1/2	-0 1/4	+0.11,37			Export Dev. Cpn. 5 84	150	94 1/2	94 1/2	-0 1/4	+0.11,37		
Export Dev. Cpn. 5 84	150	94 1/2	94 1/2	-0 1/4	+0.11,37			Export Dev. Cpn. 5 84	150	94 1/2	94 1/2	-0 1/4	+0.11,37		
Finland 5 89	100	108 1/2	108 1/2	-0 1/4	+0.11,05			Finland 5 89	100	108 1/2	108 1/2	-0 1/4	+0.11,05		
Georgetown 13 87	30	98 1/2	98 1/2	-0 1/4	+0.13,67			Georgetown 13 87	30	98 1/2	98 1/2	-0 1/4	+0.13,67		
GTE Finance 5 89	55	85 1/2	85 1/2	-0 1/4	+0.12,33			GTE Finance 5 89	55	85 1/2	85 1/2	-0 1/4	+0.12,33		
GTE Finance 5 89	55	85 1/2	85 1/2	-0 1/4	+0.12,33			GTE Finance 5 89	55	85 1/2	85 1/2	-0 1/4	+0.12,33		
GTE 0 15 Fin. 11 84	100	97 1/2	97 1/2	-0 1/4	+0.11,54			GTE 0 15 Fin. 11 84	100	97 1/2	97 1/2	-0 1/4	+0.11,54		
GTE 0 15 Fin. 11 84	100	97 1/2	97 1/2	-0 1/4	+0.11,54			GTE 0 15 Fin. 11 84	100	97 1/2	97 1/2	-0 1/4	+0.11,54		
Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02			Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02		
Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02			Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02		
Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02			Guaranty Nat. 10 84	100	104 1/2	104 1/2	-0 1/4	+0.12,02		
Kennecott 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48			Kennecott 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48		
McGraw 13 86	75	89 1/2	89 1/2	-0 1/4	+0.11,49			McGraw 13 86	75	89 1/2	89 1/2	-0 1/4	+0.11,49		
Manitoba 5 89	75	87 1/2	87 1/2	-0 1/4	+0.11,40			Manitoba 5 89	75	87 1/2	87 1/2	-0 1/4	+0.11,40		
Marathon 1 12 87	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Marathon 1 12 87	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Marathon 1 12 87	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Marathon 1 12 87	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Nat. Gas. Telcom. 5 89	100	102 1/2	102 1/2	-0 1/4	+0.11,02			Nat. Gas. Telcom. 5 89	100	102 1/2	102 1/2	-0 1/4	+0.11,02		
Nat. Gas. Telcom. 5 89	100	102 1/2	102 1/2	-0 1/4	+0.11,02			Nat. Gas. Telcom. 5 89	100	102 1/2	102 1/2	-0 1/4	+0.11,02		
New Brunswick 5 89	75	85 1/2	85 1/2	-0 1/4	+0.11,91			New Brunswick 5 89	75	85 1/2	85 1/2	-0 1/4	+0.11,91		
New Brunswick 5 89	75	85 1/2	85 1/2	-0 1/4	+0.11,91			New Brunswick 5 89	75	85 1/2	85 1/2	-0 1/4	+0.11,91		
Paramount 0 15 84	150	94 1/2	94 1/2	-0 1/4	+0.11,21			Paramount 0 15 84	150	94 1/2	94 1/2	-0 1/4	+0.11,21		
Paramount 0 15 84	150	94 1/2	94 1/2	-0 1/4	+0.11,21			Paramount 0 15 84	150	94 1/2	94 1/2	-0 1/4	+0.11,21		
NorWest Ind. 13 87	50	97 1/2	97 1/2	-0 1/4	+0.11,49			NorWest Ind. 13 87	50	97 1/2	97 1/2	-0 1/4	+0.11,49		
NorWest Ind. 13 87	50	97 1/2	97 1/2	-0 1/4	+0.11,49			NorWest Ind. 13 87	50	97 1/2	97 1/2	-0 1/4	+0.11,49		
Peapack 5 89	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Peapack 5 89	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Peapack 5 89	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Peapack 5 89	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Quebec Hydro 10 84	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Quebec Hydro 10 84	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Quebec Hydro 10 84	100	94 1/2	94 1/2	-0 1/4	+0.11,37			Quebec Hydro 10 84	100	94 1/2	94 1/2	-0 1/4	+0.11,37		
Rockwell 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48			Rockwell 1 12 87	50	92 1/2	92 1/2	-0 1/4	+0.11,48		
SNCF 12 85	50	102 1/2	102 1/2	-0 1/4	+0.11,58			SNCF 12 85	50	102 1/2	102 1/2	-0 1/4	+0.11,58		
Strom 5 89	100	89 1/2	89 1/2	-0 1/4	+0.11,42			Strom 5 89	100	89 1/2	89 1/2	-0 1/4	+0.11,42		
Strom 5 89	100	89 1/2	89 1/2	-0 1/4	+0.11,42			Strom 5 89	100	89 1/2	89 1/2	-0 1/4	+0.11,42		
Swadon 5 84	100	94 1/2	94 1/2	-0 1/4	+0.11,26			Swadon 5 84	100	94 1/2	94 1/2	-0 1/4	+0.11,26		
Swadon 5 84	100	94 1/2	94 1/2	-0 1/4	+0.11,26			Swadon 5 84	100	94 1/2	94 1/2	-0 1/4	+0.11,26		
Unilever 9 87	100	99 1/2	99 1/2	-0 1/4	+0.11,15			Unilever 9 87	100	99 1/2	99 1/2	-0 1/4	+0.11,15		
Unilever 9 87	100	99 1/2	99 1/2	-0 1/4	+0.11,15			Unilever 9 87	100	99 1/2	99 1/2	-0 1/4	+0.11,15		
Werner-Lanthe 5 89	100	104 1/2	104 1/2	-0 1/4	+0.11,07			Werner-Lanthe 5 89	100	104 1/2	104 1/2	-0 1/4	+0.11,07		
Average price changes... On day -0 1/4 on week +0 1/4								Average price changes... On day -0 1/4 on week +0 1/4							

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

MAY 1980

U.S. \$100,000,000

Export Development Corporation

(An agent of Her Majesty in right of Canada)

**Société pour l'expansion des exportations**

(Mandatire de Sa Majesté du chef du Canada)

12 3/4% Notes Due 1987

Credit Suisse First Boston Limited

Wood Gundy Limited

Daiwa Europe N.V.

Salomon Brothers International

Banque de Paris et des Pays-Bas

Deutsche Bank Aktiengesellschaft

Westdeutsche Landesbank Girozentrale

Amsterdam-Rotterdam Bank N.V.	Banque Nationale de Paris	Dominion Securities	Kreditbank N.V.	McLeod Young Weir International
Merrill Lynch International & Co.	Orion Bank	Société Générale de Banque S.A.	Swiss Bank Corporation (Overseas)	
Abu Dhabi Investment Company	Algemeene Bank Nederland N.V.	American Express Bank	A. E. Ames & Co.	
Arab Bank Investment Company	Banca Commerciale Italiana	Bank of America International	Bank Brussels Lambert N.V.	
Bank of Tokyo International	Bankers Trust International	Banque Arabe et Internationale d'Investissement (B.A.I.I.)		
Banque de l'Indochine et de Suez	Banque Internationale à Luxembourg S.A.	Banque Worms		
Banque Privée de Gestion Financière	Baring Brothers & Co.	Bayerische Landesbank Girozentrale	Bayerische Vereinsbank	Bergson Bank
Berliner Handels- und Frankfurter Bank	Arnhold and S. Bleichroeder, Inc.	Byth Eastman Paine Webber International		
Bremer Frey	Caisse des Dépôts et Consignations	Chase Manhattan	Chemical Bank International	Christiansen Bank og Kreditkasse
CIBC	Citibank International Group	Clarendon Bank	Commerzbank	Continental Illinois
Creditanstalt-Bankverein	Deutsche Girozentrale	Deutsche Kreditbank	Deutsche Kommunalbank	Deutsche Sparkassen
Deutsche Girozentrale	Deutsche Kreditbank	Deutsche Kommunalbank	Deutsche Sparkassen	Deutsche Sparkassen
Genossenschaftliche Zentralbank AG	Girozentrale und Bank der Österreichischen Sparkassen	Goldman Sachs International Corp.	Grenoble	
Hankow Bank	Hessische Landesbank	Hill Samuel & Co.	IBJ International	Kanells-Osaka-Pankki
Kleinwort, Benson	Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)	Kuwait International Investment Co. S.A.K.		
Kuwait Investment Company (S.A.K.)	Lazard Brothers & Co.	Lévy, Beaujeu Inc.	Lloyds Bank International	LTCB International
Manufacturers Hanover	Midland Doherty	Samuel Montagu & Co.	Morgan Grenfell & Co.	Morgan Guaranty Ltd.
Nasdaq, Thompson	The Nikko Securities Co., (Europe) Ltd.	Nomura Europe N.V.	Norddeutsche Landesbank	Postbank
Richardson Securities of Canada (U.K.)	Rothschild Bank AG	N. M. Rothschild & Sons	The Royal Bank of Canada (London)	
Sarwa Bank (Underwriters)	Scandinavian Bank	Schwab, Münchmeyer, Hengst & Co.		
J. Henry Schroder Wagg & Co.	Skandinaviska Enskilda Banken	Smith Barney, Harris Upham & Co.	Société Générale de Banque (Suisse) S.A.	
Société Générale	Simmons Finance International	Strooka Handelsbanken	The Tokyo-Mitsubishi Bank (Luxembourg) S.A.	
Toronto Dominion International Bank	Trade Development Bank	Union Bank of Finland Ltd.	Veritas und Westbank	
S. G. Warburg & Co. Ltd.	Williams, Glyn & Co.	Yamachi International (Europe)		

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

MAY 1980

U.S. \$100,000,000

GMAC Overseas Finance Corporation N.V.

13 3/4% Notes Due April 15, 1985

unconditionally guaranteed by

General Motors Acceptance Corporation

Credit Suisse First Boston Limited

Kuwait Investment Company (S.A.K.) Banque Bruxelles Lambert S.A.

Abu Dhabi Investment Company	Algemeene Bank Nederland N.V.	Amsterdam-Rotterdam Bank N.V.
Banca del Gottardo	Bank Gutzwiller, Kurz, Bungenier (Overseas)	Banque Française du Commerce Extérieur
Banque Générale du Luxembourg S.A.	Banque de l'Indochine et de Suez	Banque Nationale de Paris
Banque Privée de Gestion Financière	Barclays International Group	Bayerische Hypotheken- und Wechsel-Bank
Bayerische Vereinsbank	Berliner Handels- und Frankfurter Bank	B.S.I. Underwriters
Centrale Rabobank	Chemical Bank International	Compagnie de Banque et d'Investissements
Continental Illinois	County Bank	Credit Lyonnais
Deutsche Girozentrale	DG Bank	Effectenbank-Warburg
First Chicago	Genossenschaftliche Zentralbank AG	Girozentrale und Bank der Österreichischen Sparkassen
Handelsbank N.V. (Overseas)	Hessische Landesbank	IBJ International
Istituto Bancario San Paolo di Torino	Kreditbank N.V.	Lloyds Bank International
Samuel Montagu & Co.	Morgan Guaranty Ltd.	The Nikko Securities Co., (Europe) Ltd.
Norddeutsche Landesbank Girozentrale	Nordic Bank	Orion Bank
Scandinavian Bank	Schröder, Münchmeyer, Hengst & Co.	Société Bancaire Barclays (Suisse) S.A.
Société Générale	Société Générale Alsacienne de Banque	Société Générale de Banque S.A.
Sparekassen SDS	Swiss Bank Corporation (Overseas)	Trade Development Bank
Vereins- und Westbank	Wood Gundy	

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

MAY 1980

U.S. \$40,000,000

**Banamex**

Banco Nacional de México, S.A.

(A private banking institution incorporated in the United Mexican States with limited liability)

Floating Rate Capital Notes Due 1987

Credit Suisse First Boston Limited

Banque Nationale de Paris

Deutsche Bank Aktiengesellschaft

Merrill Lynch International & Co.

Nomura Europe N.V.

Creditanstalt-Bankverein

European Banking Company Limited

National Bank of Abu Dhabi

The Royal Bank of Canada (London) Limited

Société Générale de Banque S.A.

Abu Dhabi Bank of Kuwait (K.S.C.)	A. E. Ames & Co.	Amsterdam-Rotterdam Bank N.V.	Arab Bank Investment Company	Banca Commerciale Italiana
Banco de Bilbao	Banco di Roma	Banco Urquijo Hispano Americano	Bank of America International	Bank Brussels Lambert N.V.
Bank für Gemeinwirtschaft	Bank of Helsinki Ltd.	Bank Julius Baer International	Bank Len International Ltd.	Bank Mies & Hope NV
Bank of Tokyo International	Bankers Trust International	Banque Arabe et Internationale d'Investissement (B.A.I.I.)		
Banque Commerciale de Luxembourg S.A.	Banque d'Indochine et de Suez	Banque Internationale à Luxembourg S.A.	Banque Générale de Luxembourg S.A.	
Banque de l'Indochine et de Suez	Banque d'Union Européenne	Banque Worms	Barclays International Group	Baring Brothers & Co.
Banque Privée de Gestion Financière	Bayerische Landesbank Girozentrale	Bergson Bank	Berliner Handels- und Frankfurter Bank	
Bayerische Hypotheken- und Wechsel-Bank	Bayerische Vereinsbank	Byth Eastman Paine Webber International		
Arnhold and S. Bleichroeder, Inc.	Cassette & Co.	Centrale Rabobank	Chase Manhattan	Chemical Bank International
Christiansen Bank og Kreditkasse	CIBC	Citibank International Group	Clarendon Bank	Copenhagen Handelsbank
Credit Agricole	Credit Industriel et Commercial	Credit Lyonnais	Credit Suisse First Boston (Asia)	Credito Italiano
Deutsche Girozentrale	Daiwa Europe N.V.	Deutsche Kreditbank	Deutsche Kommunalbank	Deutsche Sparkassen
Dillon, Read Overseas Corporation	Effectenbank-Warburg	Europäische Zentralbank AG	Genossenschaftliche Zentralbank AG	Girozentrale und Bank der Österreichischen Sparkassen
Genossenschaftliche Zentralbank AG	Girozentrale und Bank der Österreichischen Sparkassen	Goldman Sachs International Corp.		
Groupement des Banquiers Privés Généralis	Hessische Landesbank	IBJ International	Istituto Bancario San Paolo di Torino	
Kanells-Osaka-Pankki	Kleinwort, Benson	Kreditbank N.V.	Kreditbank S.A. Luxembourg	
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)	Kuwait International Investment Co. S.A.K.	Lazard Brothers & Co.	Lazard Frères et Co.	
London Bank International	LTCB International	Manufacturers Hanover	McLeod Young Weir International	Mitsubishi Bank (Europe) S.A.
Merrill Lynch International	Morgan Grenfell & Co.	Morgan Guaranty Ltd.	Morgan Stanley International	
The National Commercial Bank	Norddeutsche Landesbank	N. M. Rothschild & Sons	Salomon Brothers International	
Nippon Kargo Bank S.A.	Orion Bank	Overseas Union Bank	Piermont, Holding & Piersen N.V.	
Prudential	Rothschild Bank AG	Schwab, Münchmeyer, Hengst & Co.	J. Henry Schroder Wagg & Co.	
Sarwa Bank (Underwriters)	Scandinavian Bank	Skandinaviska Enskilda Banken	Smith Barney, Harris Upham & Co.	Société Générale de Banque (Suisse) S.A.
Skandinaviska Enskilda Banken	Smith Barney, Harris Upham & Co.	Société Bancaire Barclays (Suisse) S.A.	Société Générale	
Société Générale	Sparekassen SDS	Strooka Handelsbanken	Simmons Finance International	
Strooka Handelsbanken	Trade Development Bank	Union Bank of Finland Ltd.	Veritas und Westbank	
S. G. Warburg & Co. Ltd.	Williams, Glyn & Co.	Wood Gundy	Yamachi International (Europe)	

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

MAY 1980

U.S. \$75,000,000

J. C. Penney Overseas Capital N.V.

(Incorporated with limited liability in the Netherlands Antilles)

13 3/4% Guaranteed Notes Due 1985

Guaranteed unconditionally as to principal, premium, if any, and interest by

J. C. Penney Financial Corporation

Credit Suisse First Boston Limited

Abu Dhabi Bank of Kuwait (K.S.C.)	Algemeene Bank Nederland N.V.	Algemeene Bank Nederland (Schweiz)	Amsterdam-Rotterdam Bank N.V.
Banca del Gottardo	Bank Gutzwiller, Kurz, Bungenier (Overseas)	Bank of America International	The Bank of Bermuda
Bank Centrale Suisse Romande (C.S.R.)	Bank Mies & Hope NV	Bank of Tokyo International	Banque Bruxelles Lambert S.A.
Bank Len International Ltd.	Bank Mies & Hope NV	Banque d'Indochine et de Suez	Banque Nationale de Paris
Banque de l'Indochine et de Suez	Banque Internationale à Luxembourg S.A.	Banque Populaire Suisse S.A. Luxembourg	Banque Privée S.A.
Banque de Paris et des Pays-Bas	Banque de Paris et des Pays-Bas (Suisse) S.A.	Banque Worms	Barclays International Group
Banque Rothschild	Banque Scandinave en Suisse	Bayerische Vereinsbank	Bergson Bank
Bayerische Hypotheken- und Wechsel-Bank	Bayerische Landesbank Girozentrale	Byth Eastman Paine Webber International	B.S.I. Underwriters
Arnhold and S. Bleichroeder, Inc.	Cassette & Co.	Centrale Rabobank	Chase Manhattan
Cassette & Co.	Centrale Rabobank	Chase Manhattan	Chemical Bank International
Christiansen Bank og Kreditkasse	CIBC	Citibank International Group	Clarendon Bank
Credit Agricole	Credit Industriel et Commercial	Credit Lyonnais	Credit Suisse First Boston (Asia)
Deutsche Girozentrale	Daiwa Europe N.V.	Deutsche Kreditbank	Deutsche Kommunalbank
Dillon, Read Overseas Corporation	Effectenbank-Warburg	Europäische Zentralbank AG	Genossenschaftliche Zentralbank AG
Genossenschaftliche Zentralbank AG	Girozentrale und Bank der Österreichischen Sparkassen	Goldman Sachs International Corp.	
Groupement des Banquiers Privés Généralis	Hessische Landesbank	IBJ International	Istituto Bancario San Paolo di Torino
Kanells-Osaka-Pankki	Kleinwort, Benson	Kreditbank N.V.	Kreditbank S.A. Luxembourg
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)	Kuwait International Investment Co. S.A.K.	Lazard Brothers & Co.	Lazard Frères et Co.
London Bank International	LTCB International	Manufacturers Hanover	McLeod Young Weir International
Merrill Lynch International	Morgan Grenfell & Co.	Morgan Guaranty Ltd.	Morgan Stanley International
The National Commercial Bank	Norddeutsche Landesbank	N. M. Rothschild & Sons	Salomon Brothers International
Nippon Kargo Bank S.A.	Orion Bank	Overseas Union Bank	Piermont, Holding & Piersen N.V.
Prudential	Rothschild Bank AG	Schwab, Münchmeyer, Hengst & Co.	J. Henry Schroder Wagg & Co.
Sarwa Bank (Underwriters)	Scandinavian Bank	Skandinaviska Enskilda Banken	Smith Barney, Harris Upham & Co.
Skandinaviska Enskilda Banken	Smith Barney, Harris Upham & Co.	Société Bancaire Barclays (Suisse) S.A.	Société Générale
Société Générale	Sparekassen SDS	Strooka Handelsbanken	Simmons Finance International
Strooka Handelsbanken	Trade Development Bank	Union Bank of Finland Ltd.	Veritas und Westbank
S. G. Warburg & Co. Ltd.	Williams, Glyn & Co.	Wood Gundy	Yamachi International (Europe)

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's declaration of a dividend of \$0.60 (gross) per share of the Common Stock of the Corporation, payable on the 10th June 1980 there will be a distribution of 3 cents per unit.

The Depository will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 16th June 1980.

All claims must be accompanied by a completed Claim Form and U.S.A. Tax Declaration obtainable from the Depository. Claimants other than UK Banks and Members of the Stock Exchange must lodge their Bearer Depository Receipts for marking. Postal claims cannot be accepted.

The Corporation's First Quarter Report for 1980 will be available upon application to the Depository named below.

Barclays Bank Limited
Securities Services Department
84 Lombard Street
London, EC3P 3AH

Offer to the Shareholders of GRANGES AB

Holders are advised that the Board of Directors of AB Electrolux has extended their offer to acquire the shares of Granges AB until Friday 13th June 1980.

The terms of the offer, which are unchanged, are as follows:

One Granges AB share entitles the holder to 3.87 (three and 87/100) nominal of a 10% Electrolux Convertible Subordinated Loan 1980/90 (carrying the right of conversion into 8 shares of AB Electrolux at the rate of one 8 share per 8.875 nominal of Loan Stock held, from 2nd January, 1982 to maturity).

United Kingdom Shareholders wishing to accept the offer may lodge their certificates duly transferred in blank and accompanied by a completed lodgement form with any of the following:

Skandinaviska Enskilda Banken
Fuss Department
8-105 40 Stockholm

Handelsbanken
Fuss Department
8-105 38 Stockholm

S. G. Warburg & Co. Ltd.
Coupon Department
St. Albans House
Goldsmith Street
London EC2P 2DL

from whom lodgement forms and copies of the offer document can be obtained.

The Board of Granges AB unanimously recommends shareholders to accept the offer.

ENSO-GUTZKE OSAKEYHTIO

U.S.\$20,000,000 9 3/4% 1975/1982 Guaranteed Bonds

NOTICE IS HEREBY GIVEN to Bondholders that Bonds for the principal amount of U.S.\$1,000,000 have been purchased for the Purchase Fund during the twelve-month period from May 5, 1979, to May 4, 1980.

Amount outstanding: U.S.\$18,500,000.

ENSO-GUTZKE OSAKEYHTIO

May 19, 1980.

PROVINCE DE QUEBEC

LOAN OF FF 125,000,000 7 1/2% 1972/1987

Bondholders are hereby informed that the amortisation of June 15, 1980 for the principal amount of a nominal value of FF 5,000,000 is due, has been entirely met by purchases in the market.

Coupons due on June 15, 1980 will be payable at the following banks:

CREDIT LYONNAIS, Paris
CREDIT LYONNAIS, Luxembourg
BANQUE DE PARIS ET DES PAYS-BAS
BANQUE DI ROMA, Rome
BANQUE DE PARIS ET DES PAYS-BAS
COMMERZBANK A.G., Frankfurt/Main
KREITBANK N.V., Brussels
LLOYDS BANK INTERNATIONAL LTD., London

Amount remaining in circulation after this third instalment: FF 98,000,000.

The Fiscal Agent
CREDIT LYONNAIS
Luxembourg

Fleming Japan Fund S.A.

SOCIETE ANONYME LUXEMBOURG
R.C. LUXEMBOURG 8 232

DIVIDEND NOTICE

A dividend of US\$0.20 (20 cents) has been declared payable as from May 15th 1980 to shareholders of record May 14th 1980 against presentation of Coupon No. 10.

By Order of the Board
The Secretary

TRAVEL

GENEVA, Rome, Zurich and Bern. Weekend choice of cheap flights from 4 UK airports. Brochure FALCON 01-251 2191.

PERSONAL

HAVANA CIGARS at wholesale prices. Condition guaranteed. Send for price list. Harrison & Simmonds County Tobaccoists, 30, High Street, Bedford MK40 1JNF. Est. 1928. Telephone: 02544 65711.

INVEST IN 50,000 BETTER TOMORROWS!

50,000 people in the United Kingdom suffer from progressively paralyzing MULTIPLE SCLEROSIS — the cause and cure of which are still unknown — HELP US BRING THEM RELIEF AND HOPE.

We need your donation to enable us to continue our work for the CARE AND WELFARE OF MULTIPLE SCLEROSIS sufferers and to continue our commitment to find the cause and cure of MULTIPLE SCLEROSIS through MEDICAL RESEARCH.

Please help — send a donation today to:
Room F.1, The Multiple Sclerosis Society of G.B. and N.I.,
4 Tachbrook Street, London SW1 1SJ.

Cafetero Finance Corporation

(Incorporated with limited liability in the Cayman Islands)

U.S.\$30,000,000

Guaranteed Floating Rate Notes 1985

Unconditionally and irrevocably guaranteed on a subordinated basis as to payment of principal and interest by

Banco Cafetero

(Incorporated with limited liability in the Republic of Colombia and wholly owned by the National Coffee Fund of the Republic of Colombia)

Issue Price 100%

The following have agreed to subscribe or procure subscribers for the Notes:—

Chemical Bank International Limited Citicorp International Bank Limited

Arab Latin American Bank

—ARLABANK—

Banco de Bogotá S.A. (Panamá)

Bank Brussel Lambert N.V.

CIBC Limited

County Bank Limited

Deutsch-Südamerikanische Bank A.G.

Grindlay Brands Limited

IBJ International Limited

Scandinavian Bank Limited

J. Henry Schroder Wagg & Co. Limited

Société Générale

The Notes in the denomination of U.S.\$1,000 have been admitted to the Official List of The Stock Exchange of the United Kingdom and the Republic of Ireland subject only to the issue of the Notes. The Stock of the Notes, Cafetero Finance Corporation and Banco Cafetero are available in the statistical services of Emtel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 2nd June, 1980, from:

Cazenove & Co.

12 Trenchard Street, London EC2R 7AN.

19th May 1980

APPOINTMENTS

Senior post at BET

Viscount Colville of Colross has been appointed a deputy chairman of the Board of the BRITISH ELECTRIC TRACTION COMPANY. Lord Colville first became connected with BET in July 1961, when he was appointed a director of Associated-Rediffusion.

Mr. Alan Schofield has been appointed chief accountant of PILKINGTON FLAT GLASS and of the Pilkington Flat Glass Europe Division from July 1.

Mr. David O. Hayward is to become chief executive officer of LAMBETH BUILDING SOCIETY at the end of May. He will succeed Mr. C. J. Wagner, who will retire from that position but will continue as a director.

The Secretary for Energy has appointed Mr. Nigel Wicks as a part-time member of the BRITISH NATIONAL OIL CORPORATION. He replaces Mr. Fred Jones, who has retired from the Civil Service.

Mr. Malcolm Fifer, managing director of Leicester Photo-Litho Service, has been elected president of the GRAPHIC REPRODUCTION FEDERATION. First vice-president is Mr. Alan Burgess and second vice-president, Mr. Bruce Harvey. Mr. Tony Owen has been elected honorary treasurer.

Mr. R. W. D. McKelvie, Mr. J. S. Dainton and Mr. L. M. Kirk have joined the partnership of FIELDING, NEWSON-SMITH AND CO., stockbrokers, from today.

Mr. James R. Cowan, director of the Scottish Area of the National Coal Board, and also member of the main Board, has been appointed chairman of the SCOTTISH BRICK CORPORATION. This company is owned jointly by the National Coal Board, Thomas Tilling and Anroa Holdings in each case through subsidiary companies.

Mr. Leslie Andrews has been appointed commercial director of R. MANSELL, building covered machinery for lawn and garden care.

a similar position with Rush and Tompkins.

Mr. John F. Kidston has been appointed managing director of Haines and subsidiary STANDARD ENGINEERING COMPANY, manufacturer of footwear machinery. He was sales director for 3 1/2 years.

Mr. James Labore, currently Reader in Law at Monash University, Australia, has been appointed the first Herchel Smith Professor of Intellectual Property Law in the Faculty of Laws at QUEEN MARY COLLEGE, University of London.

The chair, the first of its kind in the UK, has been established under an endowment of some £400,000 to the College by an educational foundation, of which Dr. Herchel Smith is a leading benefactor. Intellectual property law is concerned with the legal protection of know-how, and embraces the increasingly complex and important areas of patents, copyright, trademarks and law relating to the confidentiality of trade secrets.

Mr. Alf Shipman has been appointed financial controller of the LONDON CO-OPERATIVE SOCIETY. He succeeds Mr. Francis McKay who resigned recently. Mr. Shipman joined the Society in 1937 at the age of 14 as an office boy/clerk at the Central Trade Office.

Captain Jorge Otté has been appointed managing director of CHARTCLASS, a newly-formed company specialising in oilfield and marine charters, marine project consulting, and the sale and purchase of oilfield materials and equipment.

Mr. K. L. Carter, vice president and general manager of HAWKER SIDDELEY SWITCHGEAR INC., Montreal, Canada, has been appointed a director of the company.

The TORO COMPANY's international group has promoted Mr. Edward B. Reilly to the post of director of marketing for Europe for the company's powered machinery for lawn and garden care.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross pay- interest	Minimum sum	Life bond
	%	£	Year
Knowsley (051 548 6555)	14 1/2	1,000	1
Redbridge (01-478 3020)	14 1/2	200	2-3
Redbridge (01-478 3020)	14 1/2	200	5-6

ARNOLDO MONDADORI EDITORE S.p.A.

Publishers with Head Office in Milan (Italy) - Capital Lit. 7,507,500,000

Annual General Meeting of 30th April 1980

The Meeting of the Company's Shareholders was held in Milan on the 30th April 1980 in order to approve the Balance-Sheet as at 31st December 1979.

In its Report the Board of Directors emphasized the following items:

- the balance-sheet closed with a net profit of Lit. 5,300 million (as against a profit of Lit. 5,100 million in 1978);
- the turnover for the year amounted to Lit. 305,200 million (+24.1%);
- the exports, already included in the total turnover, amounted to Lit. 80,000 million (+36.1%);
- the turnover of the controlled companies stood at Lit. 137,000 million; thus the Group's turnover reached Lit. 442,000 million;
- the fixed assets in machinery added up to Lit. 58,500 million;
- the depreciations for the financial year totalled Lit. 6,400 million; Lit. 1,200 million of which were calculated over and above the normal amounts. The depreciation fund reached Lit. 37,900 million;
- the reserves shown in the accounts went up to Lit. 20,700 million;
- the income employed by the Company at 31st December 1979 numbered 5,492. The Group's employees, including the controlled companies' staff, were 6,992.

The Shareholders' Meeting approved the distribution of a dividend of Lit. 140 (as against Lit. 120 in 1978) for each preference share, and of Lit. 120 (as against Lit. 100 in 1978) for each ordinary share of Lit. 1,000, by drawing Lit. 970 million from the profit.

The rest of the profit, amounting to Lit. 4,300 million, was brought to reserves.

At the Extraordinary Meeting the Board decided:

- the merger by incorporation of the Companies Isedi, General Partners, Immobiliare Sate
- the free capital increase from Lit. 7,507,500,000 to Lit. 10,010,000,000 by drawing from available reserves. To Shareholders will be assigned one free new share for three shares held. The capital will then be brought down to Lit. 10,000,000,000 by the purchase and annulment of 10,000 preference shares.

The dividend is payable as of 5th May 1980 upon presentation of coupon No. 15, for the ordinary shares at the Securities Department of the Company's administrative office at Segrate (Milan), while the dividend for preference shares is payable also at the counters of the usual appointed Banks.

The dividend is payable as of 5th May 1980 upon presentation of coupon No. 15, for the ordinary shares at the Securities Department of the Company's administrative office at Segrate (Milan), while the dividend for preference shares is payable also at the counters of the usual appointed Banks.

RMP Rand Mines Properties Limited

(Incorporated in the Republic of South Africa)

A Member of the Barlwe Rand Group

An agreement has been concluded between Thesen and Co. (Pty) Limited (Thesen), a wholly owned subsidiary of RMP, Barlwe N. F. G. Behr (Behr) and Satw Investments (Pty) Limited (Satwili), whereby Thesen has acquired:

- As a going concern the sawmill business conducted by Behr under the style Kurland Estate Timber.
- 2,291 hectares of freehold land, the major portion of which is under plantation at various stages of afforestation, situated in the Kaysma District of the Eastern Cape, owned by Behr and Satwili.

The total consideration in respect of the acquisition amounts to R341,000 payable in cash.

The above acquisition will complement Thesen's existing operations and in particular will increase its timber resources and production capacity. It is not anticipated that this acquisition will have an immediate effect on RMP's earnings per share and net asset value. The agreement is subject to certain suspensive conditions being fulfilled and shareholders will be advised by circular at a later date of the final outcome.

For and on behalf of the Board
G. H. Baisterman, Directors
A. B. Hall

Johannesburg
16 May 1980

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Heating Ventilating and Air Conditioning Exhibition (01-706 6707)	NBS, Birmingham
May 19-23	Self-Service Display Equipment and Shop Fitting Exhibition—SEOPEXINT (01-540 1101)	Olympia
May 19-23	International Word Processing Exhibition and Conference (01-405 6235)	Wembley Conference Centre
May 20-23	Chelsea Flower Show (01-384 4883)	Chelsea
May 20-23	International Materials Handling (01-706 6707)	NBS, Birmingham
May 2-7	Fine Art and Antiques Fair (01-388 1200)	Olympia
June 6-14	Sunday Times Business to Business Exhibition (01-407 4046)	Earls Court
June 8-11	June Carpet Fair (01-236 0811)	Kensington, W8
June 10-12	Institute of Housing Annual Conference and Exhibition (01-242 3287)	Exhibition Centre, Harrogate
June 10-13	Photo-Sound 80 (0223 32830)	Kings Hall, Bolton
June 11-14	International Job Fair — OPPORTUNITIES (021-706 6707)	Earls Court
June 14-22	International Solid Waste Congress and Exhibition (01-388 5324)	Wembley Conference Centre
June 16-20	Intel Microcomputer Fair (0793 26101)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 19-21	Mint Directors Conference and Exhibition (01-486 1951)	Utrecht
May 20-23	International Petroleum Exhibition—PETROTECH (021-706 6707)	Amsterdam
May 25-30	International Rubber and Plastics Exhibition (021-706 6707)	Singapore
May 27-30	Petroleum and Marine Environment International Conference and Exhibition	Monte Carlo
June 3-6	Reprographics Exhibition—REPROGRAPHICS 80	Basle
June 5-9	International Carpet and Floor Coverings Exhibition (01-439 3964)	Paris
June 9-14	BIAM—International Machine Tool Exhibition (01-486 1051)	Zagreb
June 10-14	Educational Equipment Exhibition—VISODATA (01-388 5324)	Munich
June 17-19	Advanced Communications Exhibition—EURO-COMM 80 (01-540 1101)	Copenhagen
June 19-22	Solar Energy Exhibition	Geneva
June 22-26	World Frozen Food Exhibition (01-629 8817)	Monte Carlo
June 23-28	ASCE Educational Resources Exhibition (01-437 0678)	Masachusetts
June 28-July 6	Motor Show, Components and Accessories Exhibition	Braga
July 2-6	Audio Visual Exhibition ADVI (021-706 6707)	Singapore
July 7-11	International Training and Educational Symposium and Exhibition—INSTRUCTA (01-486 1051)	Johannesburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	University of Bradford Management: Export Marketing (Bradford 42399) (until May 23)	Heaton Mount, Bradford
May 19-20	Robert S. First: Hospital Supplies in Europe	Brussels
May 19	International Advertising Association: 27th World Congress (01-821 0509)	Durban
May 20-21	Oyer: IBC Control in Computerised Accounting Systems (01-821 0509)	San on the Park, WI
May 20-23	RAI: Gas Industry B.V. Second European Petroleum and Gas Conference	Amsterdam
May 20	SMIT: EEC—Friend or Foe? (01-235 7000)	Cafe Royal, WI
May 21-23	Robert Dunn and Associates: Understanding and Underwriting the U.S. Market	Doral Country Club, Florida
May 23	Wales International Management Centre: Effective Strategic Planning (0223 21866)	Basingstoke
May 27-30	Scottish: Managing Negotiations (041-204 2188)	Hampshire
May 27-28	Reinforced: 1980 Symposium	Brussels
May 28	Calus: The Taxation Implications of Development (0794 861101)	Mount Royal Hotel, WI
May 29-30	ICMCA: Developing Efficient Cargo Handling Systems for International and Intra-Regional Trade (01-825 3611)	Athens
May 29-30	Frost and Sullivan: Electronic Mail (01-486 3377)	Cumberland Hotel, WI
June 1-6	University of Bradford: Production Scheduling Workshop (Bradford 461778)	Heaton Mount, Bradford
June 2-3	FT Conference: World Banking (01-621 1355)	Singapore
June 2-3	AMR International: U.S. Financial Reporting and Disclosure Requirements for Multinational Corporations (01-262 2732)	Grosvenor House, Hotel, WI
June 4	Gover Conference: Business Strategy for Strong Sterling (01-242 9485)	Royal Lancaster Hotel, W2
June 4	CCC: Company Pension Rights—Consequence of Employees' Changing Jobs (01-222 4862)	Tara Hotel, Kensington
June 5-6	AMD: Improving Results through Time Management (07535 56047)	Royal Garden Hotel, W5
June 8-13	Brunel University: Experimental methods for management training and development (0895 56461)	Uxbridge
June 9-10	AMD: Communication and Confidence Development for Managers (07535 56047)	Gloamster Hotel, SW7
June 10-11	INFOTECH: Which Word Processor? (0628 4861)	Tara Hotel, Kensington
June 11-13	AMR International: The Management of Projects (01-262 2732)	Reynolds Hotel, WI
June 13-14	PCL: Technology and Adjustment to Change at Firm Level — German Swedish and UK experience (01-486 5811)	Marylebone Road, NW1
June 17-18	ASM: Current Cost Budgetary Control (01-385 1992)	Europa Hotel, WI

Financial Times Conferences

NATIONAL SUMMER SCHOOL '80—FINANCIAL MANAGEMENT FOR THE FINANCIAL EXECUTIVE

Location, 14-25 July, 1980

A two-week study course arranged by the Financial Times and the City University, London. Course Chairmen: Mr. K. F. Dibben, Director, K. F. Dibben & Co. Ltd., formerly Director, Hambros Bank Ltd., and Mr. R. S. Harding, Director, Hill Samuel & Co. Limited.

PROSPACE INTO THE EIGHTIES AND BEYOND

Location, 26, 27 and 28 August, 1980

H. W. Withington, Vice-President, Engineering, Boeing Airplane Company, Mr. Gordon N. McDonnell, President and Chief Executive Officer, McDonnell Douglas Corporation, Mr. Robert J. Carlson, President, Pratt & Whitney Aircraft Group, and Mr. Gerald J. Tobias, President, Sikorsky Aircraft, will be given their views on the aerospace industry in the next decade. The conference will be arranged by the Financial Times and the Royal Aeronautical Society.

All enquiries should be addressed to:

Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355
Telex: 27347 FT CONF G
Cables: FINCONF LONDON

COMPANY ANNOUNCEMENT

ANGLO AMERICAN COAL CORPORATION LIMITED (AMCOAL)

VRYHEID CORONATION LIMITED (VRYHEID)

(Both of which are incorporated in the Republic of South Africa)

The boards of directors of Amcoal and Vryheid announce that they have reached agreement in principle on certain proposals which, if approved by shareholders of Vryheid, will result in the entire issued share capital of Vryheid being owned directly or indirectly by Amcoal.

In terms of the proposals shareholders in Vryheid other than Amcoal and/or its subsidiaries which hold about 66.4 per cent of Vryheid's issued shares will have the choice of receiving:

- a capital payment of 380 cents per share in cash for each Vryheid share held (Alternative A); or
- a special dividend payment of 310 cents per share plus a capital payment of 50 cents per share making a total of 360 cents per share in cash for each Vryheid share held (Alternative B).

Shareholders who are non-residents of the Republic of South Africa who were registered as such in the register of members of Vryheid on May 19, 1980, may accept Alternative A or B. Non-resident shareholders who become registered as such after May 19, 1980, may only accept Alternative A. Non-resident shareholders who were beneficial but not registered shareholders of Vryheid on May 19, 1980, wishing to elect Alternative B are advised to make separate applications to the South African exchange control authorities through their own bankers. Subject to the approval of their applications such shareholders may accept Alternative B.

Apart from the choice of receiving the above special dividend the Vryheid shares which are the subject of these proposals will not qualify for any dividends from Vryheid in respect of the year ending December 31, 1980.

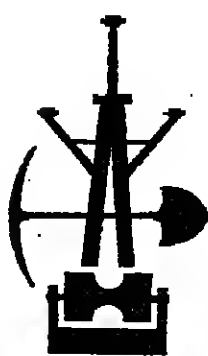
The acquisition is expected to have marginally beneficial effects on Amcoal's earnings and net asset value per share.

Full details of the proposals will be circulated to shareholders as soon as possible.

Application has been made to the Johannesburg Stock Exchange to restate the Balance Sheet of Vryheid's shares with effect from Tuesday, May 20, 1980.

Johannesburg
May 19, 1980

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Oakwood Group Limited ("Oakwood"). The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly. Copies of these particulars, having attached thereto the documents referred to below, have been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary share capital of Oakwood to be admitted to the Official List.



OAKWOOD GROUP LIMITED

(Incorporated in England under the Companies Act 1948. No. 808514)



These particulars are issued in connection with a placing by CAPEL-CURE MYERS LIMITED of 500,000 Ordinary shares of 25p each at 83p per share.

Authorised	SHARE CAPITAL	Issued and Fully Paid
£650,000 in 2,600,000 Ordinary shares of 25p each.....		£500,000

At the close of business on 2nd May, 1980, Oakwood and its subsidiaries had outstanding bank overdrafts and letters of credit of \$468,741 secured by a mortgage on a property of Oakwood and fixed and floating charges from Clough Smith Limited and Frank Love Limited. At the same date Oakwood and its subsidiaries had bank credit balances of £209,125. Save as aforesaid and apart from inter-company liabilities neither Oakwood nor any of its subsidiaries had outstanding on 2nd May, 1980 any mortgages, charges or debentures, any loan capital issued or created but unissued or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

DIRECTORS:
EDWARD DILLINGHAM CHAMBERS, F.C.A. (Chairman and Managing Director),
Clough Smith House, Stephenson Way, Crawley, West Sussex RH10 1NN.
GERALD FRANK MANN, F.C.A.,
45/47 Westminster Bridge Road, London SE1 7JA.
GEOFFREY ALAN COLESHILL,
Clough Smith House, Stephenson Way, Crawley, West Sussex RH10 1NN.

SECRETARY AND REGISTERED OFFICE:
DAVID JOHN COKER, F.C.I.S., M.B.I.M.,
Clough Smith House, Stephenson Way, Crawley, West Sussex RH10 1NN.

BANKERS:
NATIONAL WESTMINSTER BANK LIMITED, 2 St. Alphage Highwalk, London Wall,
London EC3Y 5EP.

SOLICITORS TO THE PLACING AND JOINT SOLICITORS TO THE COMPANY:
TRAVERS SMITH, BRAITHWAITE & CO., 6 Snow Hill, London EC1A 2AL.

JOINT SOLICITORS TO THE COMPANY:
STEGGLES PALMER, 2 Bedford Row, London WC1R 4BU.

AUDITORS AND REPORTING ACCOUNTANTS:
SPICER AND PEGLER, Chartered Accountants, St. Mary Axe House, 56-60 St. Mary Axe,
London EC3A 9BL.

STOCKBROKERS:
CAPEL-CURE MYERS LIMITED, Bath House, Holborn Viaduct, London EC1A 2EU
and at The Stock Exchange.

REGISTRARS AND TRANSFER OFFICE:
NATIONAL WESTMINSTER BANK LIMITED, P.O. Box 82, 37 Broad Street,
Bristol BS9 7NH.

Introduction

Oakwood is a holding company with two operating subsidiaries. Clough Smith Limited ("Clough Smith") and Frank Love Limited ("Frank Love"), principally engaged in civil and electrical engineering and the wholesale distribution of water fittings, sanitaryware and associated products respectively. The Ordinary share capital of Clough Smith is 88.8 per cent owned by Oakwood, Frank Love being a wholly-owned subsidiary. Oakwood was incorporated on 10th June, 1964 but did not operate until 1st January, 1972 when it acquired Lombard Holdings Limited and its subsidiaries, including Clough Smith and Frank Love, from Lombard North Central Limited. Certain of the subsidiaries have been sold, leaving Oakwood with its two operating subsidiaries and certain other subsidiaries which are no longer trading.

History and Business

Clough Smith was incorporated on 15th June, 1910 and now provides a comprehensive service covering a wide variety of electrical and associated civil engineering work including overhead transmission lines, wood pole and underground cable distribution systems, the installation of railway cable routes and associated cable laying in conjunction with substantial signalling and telecommunication schemes, communication structures, street lighting, internal and external floodlighting systems and airport runway and approach lighting systems. In the early years the main activity was the conversion of tramways from rail to overhead power supply and this later led to contracts for the installation of trolleybus systems after the First World War. Trenching and cable laying work was first undertaken in the 1920s for tramway companies when new regulations required rail earths to be buried. Cable laying techniques were further developed in the 1930s and during this period Clough Smith carried out an increasing amount of this work for the G.P.O.

During the Second World War business was concentrated on power distribution schemes for R.A.F. stations and electrical systems in ordnance factories. Since then Clough Smith has been involved in the development of large scale distribution schemes for Area Electricity Boards and the Central Electricity Generating Board and for electricity authorities in East Africa, the Middle East and the Far East. Amongst these were the extensive electrification of the island of Bali and a 46 kilometre double circuit transmission line in Jordan. Other notable overseas contracts have included cable and electrical installations for hydro-electricity projects. Clough Smith has also been involved with the modernisation of railway signalling systems, the erection of television and microwave masts and the development and maintenance of electrical installations at military establishments and docks.

Clough Smith was one of the pioneers of airport runway lighting systems beginning with Manchester Airport in 1938 and has recently been responsible for installations at Glasgow Airport and various military establishments. In 1978 Clough Smith was awarded a £4.3 million contract in Kenya for the design, supply and installation of switchgear, transformers and cabling and 50 kilometres of overhead transmission lines as part of a hydro-electric and irrigation scheme which is due to be completed in 1981. The Company has won a further contract in Kenya valued at £500,000 to dismantle and re-assemble a transmission line.

Clough Smith's employees include specialists such as electricians, cable joiners, linemen and steel erectors supplemented as necessary by specialist sub-contractors. The split of turnover between home and overseas customers and between the types of work undertaken differs from year to year. The three main areas of the Company's present activities are overhead transmission lines, cabling and electrical distribution systems and railway cabling work. Contracts are generally obtained by open tender and projects in hand currently include those in Kenya referred to above, cabling and distribution contracts for various Electricity Boards and other public undertakings in the United Kingdom and work on the Victoria re-signalling scheme for British Rail.

Currently the Company has an order book of some £17 million which includes an estimated amount of £2.3 million in respect of contracts for varying periods with Electricity Boards and other public undertakings. All contracts for which the programme of works extends for longer than 12 months include inflation clauses. The Directors consider this order book to be at a satisfactory level.

Frank Love

Frank Love is one of the company's largest stockists and distributors of water fittings and sanitaryware to builders' merchants and other retail outlets.

The business was founded in 1908 by Mr. Frank Love as a wholesaler of plumbers' brassfoundry and associated fittings which were supplied to builders' merchants and ironmongers from a warehouse in Southwark, London. By 1922 the business had expanded into additional premises at Bermondsey and a catalogue was introduced which became a hand-book in the trade. It was decided to centralise the business in 1930 with a move to premises in Great Guildford Street, Southwark, and when these were destroyed in 1940, the newly-formed Company acquired the business and leased premises at nearby Westminster Bridge Road. The freehold of the property was later purchased and the premises are still occupied by the Company.

In September, 1976 Frank Love opened a modern depot in Bristol of 5,000 sq. ft. which was used mainly to distribute baths and sanitaryware. Due to a rapid increase in turnover the depot was moved to a larger leasehold warehouse in Bristol with storage space extending to 14,500 sq. ft. which became operational in May, 1978.

The Company stocks a comprehensive range of non-ferrous and plastic water fittings sanitaryware for supply to builders' merchants, do-it-yourself outlets and selected heating engineers. The success of the business is based on the provision of a good customer service by supplying from stock a wide range of products with prompt delivery. There are approximately 2,500 regular customers and each of the three largest customers accounted for less than 5 per cent of turnover in the last financial year. The range of products covers fittings for copper and plastic tube, plumbers' brassfoundry including stopcocks, gate valves and chromium-plated taps and mixing valves, plastic and chromium-plated waste fittings, cisterns, copper and plastic tube, closet seats and accessories.

Frank Love also supplies a leading range of complete bathroom suites, separate shower units and imported pressed steel enamel-finished baths and since September, 1979 has been distributing kitchen furniture. The Company has continually up-dated its stock lines to meet the changing requirements of customers, and in consequence the number of lines has approximately doubled to 7,000 over the last 10 years and the value of sales has quadrupled in that period. A number of alternative sources of supply exist for all the major product lines sold by Frank Love although in the last financial year three suppliers were responsible for supplies leading to approximately 65 per cent of all sales. The Company has not experienced any major disruption to supplies.

Sales representatives cover each of seven regions together comprising England and Wales south of the Humber, the Isle of Man and the Channel Islands. Both the London and Bristol depots operate their own distribution service for deliveries to customers within their area while goods for customers further afield are delivered by carrier.

Sales of standard products are assisted by the Company's extensive catalogue, a new edition of which is about to be published. Bathroom suites, shower units and kitchen furniture are sold through promotional material supplied by the manufacturers.

Negotiations are at present at an advanced stage for the lease of a new warehouse of 5,000 sq. ft. at Camberwell within 2 miles of the Head Office. This will be used for the distribution of baths, sanitaryware and kitchen furniture, and will extend the range of products and service available to customers in London and the Home Counties.

MANAGEMENT AND STAFF

Particulars of the Directors of Oakwood and the two operating subsidiaries are set out below:—
Oakwood

Mr. E. D. Chambers, F.C.A., aged 46, is Chairman and Managing Director of Oakwood having been a Director since 1972. He first became a Director of the two operating subsidiaries 12 years ago to represent the interests of the Lombard Banking Group and shortly before the acquisition by Oakwood in 1972 of Lombard Holdings Limited became Chairman of Clough Smith. Since 1978 he has been executive Chairman and Managing Director of Clough Smith, and Chairman of Frank Love with overall responsibility for the group. He has a service contract with Oakwood for a minimum period of five years from 1st April, 1980 which is referred to in paragraph 6 below.

Mr. G. F. Mann, F.C.A., aged 48, joined Frank Love in 1959. He became a Director of that Company in 1962 and has been Joint Managing Director since 1968 with responsibility principally for finance and administration matters. He was appointed a Director of Oakwood in 1980. He has a service contract with Oakwood for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below.

Mr. G. A. Colehill, aged 51, joined Clough Smith 25 years ago. He became a Director in 1972 and Deputy Managing Director in 1976. His main responsibility is for all U.K. cabling and distribution contracts. He was appointed a Director of Oakwood in 1980. He has a service contract with Oakwood for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below.

Clough Smith

In addition to Mr. Chambers and Mr. Colehill the following are Directors of Clough Smith:—

Mr. G. F. Henley, aged 65, who joined the Company 25 years ago and introduced transmission line work as an extension to its activities. He was appointed Technical Director in 1976 and his responsibilities include design work and customer liaison on technical matters. In 1979 he was appointed Chairman of the Overhead Transmission Line Contractors Association.

Mr. J. J. Forrestal, aged 46, who joined the Company in 1976 as Overseas Director, having had many years experience in the electrical contracting industry both in the U.K. and overseas. His main responsibility is for the administration and extension of the Company's overseas activities.

Mr. D. J. Coker, F.C.I.S., M.B.I.M., aged 34, who joined the Company in 1976 as Company Secretary having previously served as assistant group secretary to a listed company. He was appointed a Director in 1977 and is responsible for all administrative matters. He was appointed Secretary of Oakwood in 1980.

Mr. A. P. Marshall, aged 39, who joined the Company in 1965 and was appointed a Director in 1979. He is now responsible for the U.K. Transmission Line Division and Plant and Transport Department.

Frank Love

In addition to Mr. Chambers and Mr. G. F. Mann the following are Directors of Frank Love:—

Mr. J. G. Marin, F.C.I.S., aged 55, who joined the Company some 30 years ago and worked in most departments before being appointed a Director in 1965. He has been Joint Managing Director since 1968. He has a service contract with Frank Love for a minimum period of four years from 1st April, 1980 which is referred to in paragraph 6 below.

Mr. R. C. Jones, F.C.A., aged 64, who has been a Non-Executive Director since 1972. Prior to this he had been the group accountant of Lombard Holdings Limited from 1965.

Senior Management

Clough Smith	Position	Age	Years Service
D. A. Clifford	Manager, Southern Region	45	17
M. W. Hartman	Manager, Northern Region	38	15
R. E. Hensell	Contracts Manager, Transmission	38	15
E. A. Haine, F.E.C.A.	Chief Accountant	45	17
B. E. Parker	Manager, Plant & Transport	53	18
J. Frost	Manager, Wales Region	38	20
N. J. Torrington	Management Co-ordinator	37	17
Frank Love			
R. W. Byr, F.C.I.S., M.B.I.M.	Company Secretary	42	5
L. H. Chamberlain	Office Sales Manager	50	44
F. J. Cramer	Sales & Marketing Manager	48	14
S. E. Elliott	London Warehouse Manager	33	8
R. A. Newell	Bristol Warehouse Manager	47	4
R. C. Noble	Purchasing Manager	64	48

The total number of full-time employees of the Group is approximately 330. There is a Group pension scheme.

PREMISES

The Group's principal premises are detailed below:—

Address	Description and usage	Tenure	Book value 30th Sept 1979	Subsequent valuation 30th Sept 1979
Clough Smith Clough Smith House, Stephenson Way, Crawley, West Sussex RH10 1NN.	Office headquarters and storage facilities comprising single storey offices (5,015 sq. ft.) and stores (2,720 sq. ft.) with parking area.	Leasehold — 99 years from 24th June, 1977 at a ground rent of £240 p.a. not subject to review.	389	—
Boundary Estate, Stafford Road, Farnborough, Worthington WV10 7ES.	Office, stores and service facilities for Northern region comprising 4 storey office and warehouse premises, with a single storey warehouse at rear (totalling approx. 1,300 sq. ft.), with parking area.	Freehold	58	—
Frank Love New XL House, 45/47 Westminster Bridge Road, Southwark, London SE1 7JA.	Office headquarters, warehouse and distribution depot comprising 4 storey office and warehouse premises, with a single storey warehouse at rear (totalling approx. 18,500 sq. ft.) with yard.	Freehold	400	450
Unit 2, Avenue Industrial Estate, Feeder Road, Bristol BS2 0UB.	Warehouse and distribution depot (approx. 14,500 sq. ft.) with parking area.	Leasehold — 25 years from 28th December, 1977 at a rent of £18,135 p.a. subject to review in 1982 and to every fifth year thereafter.	—	—

The valuation for New XL House at 45/47 Westminster Bridge Road, London SE1 7JA, carried out at 21st March, 1977 was on the basis of the Group disposing of its freehold interest conditionally upon it taking a lease of the completed building, following redevelopment, upon normal full repairing lease terms at market rental. The valuation carried out on 2nd April, 1980 was on the basis of a sale in the open market with vacant possession and with the benefit of existing planning permission for office purposes. A valuation of the premises by G. L. Hearn & Partners as at 2nd April, 1980 on the basis of open market value for existing use purpose amounted to £170,000.

All other professional valuations represent open market value on an existing use basis. An additional property comprising a residential house was held by Oakwood at 30th September, 1979 at a book value of £96,000, representing open market valuation of £95,000 at 16th November, 1978 by Philip James Associates, plus subsequent cost. On 21st March 1980 Ibbett, Mosely, Card & Co., Chartered Surveyors, expressed their opinion that the market value of the property was £160,000 and contracts have been exchanged for the purchase of the property by Mr. Chambers and his wife at this valuation. Details are set out in Contract No. (iii) below.

Clough Smith has planning consent in respect of its premises at Crawley for the erection of an office block of 6,400 sq. ft. Frank Love has outline planning consent for the re-development of the site of New XL House as a 22,000 sq. ft. office block. The Directors consider that there are potential benefits to the Group to be derived from the development of these properties and will exploit the planning consents when appropriate. None of the foregoing valuations reflect the cost of any land tax or capital gains tax which might arise on redevelopment or on disposal. No development would be undertaken without further finance being obtained.

WORKING CAPITAL

The Directors are of the opinion that, taking into account available bank facilities, Oakwood and its subsidiaries have sufficient working capital for their present requirements.

NET TANGIBLE ASSETS

The Accountants' Report set out below shows that the consolidated shareholders' funds of Oakwood at 30th September, 1979, as adjusted, amount to £2,144,000. This is equivalent to 107p for each of the 2,000,000 Ordinary shares of 25p presently in issue.

PROFITS AND PROFIT FORECAST

The turnover and profits for the five financial years ended 30th September, 1979 are set out in the Accountants' Report below. Except for 1978, when contracts undertaken by Clough Smith in the Orkney and Shetland Islands were adversely affected by weather conditions and operational difficulties, profits before taxation have increased each year over the period.

In the absence of unforeseen circumstances, the Directors forecast profits of the Group before taxation, extraordinary items and minority interests, for the year ending 30th September, 1980 amounting to not less than £700,000 of which it is expected that Clough Smith will provide approximately 65% and Frank Love the balance. This forecast is based on the unaudited management accounts for the six months ended 31st March, 1980 and, for the remaining six months, on the following assumptions:—

- sales by Frank Love in the six months to 30th September, 1980 will result in an increase in turnover for the year of 15% compared with the previous year;
- work done by Clough Smith on existing contracts in the six months period will proceed in accordance with agreed current contractual programmes;
- gross margins achieved will be in line with recent experience;
- trading will not be adversely affected by disruption in supplies of goods for resale, or of goods and services utilised in contracting activities;
- interest and exchange rates will not materially change.

DIVIDENDS AND DIVIDEND COVER

On the basis of the Director's forecast of profits for the year ending 30th September, 1980 it is intended to recommend for payment in or about February, 1981 a dividend of 4.5p net per share (which together with the related tax credit of 30% is equivalent to a 6.43p per share). This will be the first dividend payable by Oakwood after its admission to the Official List.

Waivers have been received from holders of approximately 70% of the issued share capital in respect of three-quarters of the first proposed dividend payable on their shares.

In respect of a full year in which a similar level of profit was earned the Directors would expect to recommend dividends totalling 6.5p net per share (9.29p with related tax credit of 30%). It is intended in future years to pay an interim dividend in or about August and a final dividend in or about February.

The following table sets out, by way of illustration only, how a profit before taxation of £700,000 would be appropriated assuming Corporation Tax at the rate of 52% and no dividend waivers.

Profit before taxation	£
Less: Taxation	700,000
Profit after taxation	364,000
Less: Minority interests	336,000
	27,000
Less: Dividend of 6.5p per share	309,000
	130,000
	179,000

Dividend cover 2.4 times
On the above basis the gross dividend yield on the Ordinary shares at the placing price of 83p per share would be 11.2% and the price/earnings multiple would be 5.3.

PROSPECTS

Clough Smith

The Company seeks to promote its business in the present areas of activity, particularly in relation to military establishments and railways where it foresees a material increase in turnover. In addition, a broadening of its customer base for electrical cabling works within the private sector is being actively pursued particularly in the oil industry. A selective approach is adopted to overseas work where the Third World presents a substantial potential market for the Company's services and expertise.

Frank Love

The Company's range of products is supplied for use in new building work, central heating installations, maintenance and the expanding home improvement and do-it-yourself markets. It is the object of the Company to continue to improve its service and broaden the range of products supplied, thereby increasing its market. In addition to the proposed acquisition of the new Camberwell depot it is the intention of Frank Love to establish further depots. This would give the Company national coverage and the ability to reach more customers by virtue of the speedy delivery service on which its continuing success depends.

Oakwood

With its strong asset base, the group is well placed to expand its present activities and to make future acquisitions as suitable opportunities arise.

ACCOUNTANTS' REPORT

The following is a copy of a report to the Directors of Oakwood and Capel-Cure Myers Limited received from Spicer and Pegler, auditors and reporting accountants:—

The Directors,
Oakwood Group Limited,
The Directors,
Capel-Cure Myers Limited.

Gentlemen,

We have examined the audited accounts of Oakwood Group Limited ("Oakwood") and its subsidiaries collected by the Group for the five years ended 30th September, 1979.

Oakwood has the following subsidiary companies:—

Cloagh Smith Limited
Frank Love Limited
Cloagh Smith is engaged in civil and electrical engineering and Frank Love is the wholesale distribution of water fittings and sanitaryware.

At the commencement of the period covered by this report, the ordinary share capital of Cloagh Smith was 79.5% owned by Oakwood. This interest was increased to 88.1% in 1977 by the acquisition of further shares for cash and to 88.8% on 16th May, 1980 by the acquisition of 1,000 further shares in exchange for shares in Oakwood. On the same date Frank Love became a wholly-owned subsidiary by means of a share exchange. For the purposes of this report, the financial statements set out below show, for the relevant periods and dates, the results and financial position of the business carried on by the Group on the basis that Frank Love was wholly-owned throughout.

Chaney, Burton & Co., Chartered Accountants, were auditors of Frank Love for all relevant periods. Hays Allan, Chartered Accountants, and Hartley, Fowler & Co., Chartered Accountants, were auditors of all other group companies for, respectively, the two years ended 30th September, 1976 and the three years ended 30th September, 1977. Spicer and Pegler were appointed auditors of Oakwood and joint auditors of the subsidiaries in April 1980.

The summarized consolidated profit and loss accounts and balance sheets set out below are based on the audited accounts after making such adjustments as we consider appropriate, and have been prepared under the historical cost convention modified by the inclusion of freehold and long leasehold properties at valuation. In our opinion these summaries together with the notes thereon give, under the convention stated above and for the purposes of the listing particulars dated 16th May, 1980, a true and fair view of the profits of the Group for the five years ended 30th September, 1979 and the state of affairs of Oakwood and of the Group as at the dates stated.

During March, 1980, Statement of Standard Accounting Practice Number 16 was issued by the Institute of Chartered Accountants in England and Wales to provide for the inclusion of current cost information in annual financial statements relating to accounting periods commencing on or after 1st January, 1980. The Directors of Oakwood have considered this standard. However they have not concluded upon the most appropriate method of its implementation for the five year period covered by this report, particularly in connection with the possible adjustments which may arise in respect of certain categories of the Group's business, namely contracts spanning two or more accounting periods undertaken in a variety of overseas territories. These contracts are, in any event, covered by inflation clauses. Accordingly, no supplementary current cost figures for the period under review have been calculated for the purposes of this report.

1. Accounting Policies

The financial information in respect of earlier years has been restated where relevant and necessary in accordance with the principal accounting policies currently employed by the Group set out below.

(a) Depreciation

(i) Depreciation is not provided on freehold and long leasehold buildings; if such depreciation had been provided on such premises, the Directors estimate that a charge of no more than £8,000 would have been required in any year. In these circumstances, the Directors consider that the effect of this non-compliance with Statement of Standard Accounting Practice Number 12 to be material in the context of the profits or net assets of the Group in the period under review.

(ii) Short leaseholds are amortised over the unexpired period of the lease.

(iii) Depreciation of other fixed assets is provided to write off their cost on a straight line basis over their estimated useful lives at the following rates:

Motor vehicles and plant—between 15 per cent. and 20 per cent.

Furniture and equipment—between 10 per cent. and 20 per cent.

(b) Stocks and work in progress

(i) Stocks are valued at the lower of cost and estimated net realisable value.

(ii) Work in progress on uncompleted contracts at the year end is valued at the cost of materials, labour and attributable overheads. It includes a proportion of profits appropriate to the stage of completion less provision for anticipated losses, and is stated after deducting amounts invoiced to account. Where losses are anticipated, they are provided in full as they are identified, profits are not anticipated until the Directors consider that the stage of completion enables the ultimate profit to be reasonably forecast.

(c) Deferred taxation

Provision is made at the current rate of 52 per cent. for the liability to corporation tax which may arise in the foreseeable future on the following:—

(i) the excess of allowances for taxation purposes over depreciation charged in the accounts.

(ii) stock appreciation relief except in Frank Love where, in the opinion of the Directors, no liability will arise in the foreseeable future.

No provision is made for chargeable gains which would arise were the freehold and long leasehold properties to be sold at their revalued figures and were roll-over relief not then available.

(d) Foreign Currency

Assets and liabilities overseas are translated into sterling at the rates of exchange ruling at the balance sheet date.

2. Profit

A summary of the adjusted profit and loss accounts of the Group for the five years ended 30th September, 1979 is set out below:—

	Years ended 30th September				
	1976	1977	1977	1978	1979
	£000				
Turnover					
Civil and electrical engineering	3,609	4,354	3,787	3,315	4,872
Wholesale distribution of water fittings and sanitaryware	1,484	1,888	2,270	2,868	3,745
Total turnover	5,273	6,240	6,057	6,281	8,717
Profit before taxation					
Civil and electrical engineering	(32)	139	189	24	278
Wholesale distribution of water fittings and sanitaryware	94	124	127	164	229
Taxation	62	280	318	198	595
Profit after taxation	(32)	139	189	24	278
Minority interests	27	171	157	233	248
Profit before extraordinary items	29	180	146	291	231
Extraordinary items	(13)	(13)	(7)	(15)	3
Retained profit	42	147	139	276	234
Earnings per share	1.4p	8.0p	7.3p	11.5p	11.5p
Operating results before taxation per share	3.2p	12.2p	14.7p	8.2p	23.7p

Notes

(i) The turnover figures stated above represent the following:—

(a) Civil and electrical engineering: Invoiced sales adjusted by work in progress.

(b) Wholesale distribution of water fittings and sanitaryware: Sales of goods to third parties excluding value added tax and credits.

(ii) Profit before taxation is arrived at after charging and crediting the following items:—

	Years ended 30th September				
	1976	1977	1977	1978	1979
	£000				
Depreciation and amortisation	61	86	82	86	119
Hire of plant and machinery	127	155	77	117	217
Directors' emoluments	13	13	15	15	28
Interest paid	44	43	42	37	78
Interest received	—	—	—	(42)	(19)

(iii) Taxation

	1976	1977	1977	1978	1979
Current taxation	50	15	80	(54)	79
Transfer to/from deferred taxation	(16)	74	88	8	161
	35	89	158	(46)	257

My deferred taxation is provided in respect of stock appreciation relief for Frank Love. The amount by which the tax charge was in consequence reduced in each period was:—

	1976	1977	1977	1978	1979
Extraordinary items comprise:					
Profit on sale of copper wire bars	—	6	—	—	—
Surplus on sale of freehold property	—	—	—	—	8
Surplus for legal costs in connection with adverse sale of freehold property	—	(6)	(7)	(15)	(5)
Surplus arising from (losses written off) investment in subsidiary and associated companies	16	(14)	—	—	—
	13	(13)	(7)	(15)	2

(iv) Earnings per share

Earnings per share are calculated on the profit after all charges including taxation and minority interests but before extraordinary items for each period based on the share capital of 2,000,000 Ordinary 25p shares in issue as at the date of this report.

(v) Operating results before taxation per share

The incidence of stock relief had a particularly marked effect on earnings per share in 1979 and 1978. Accordingly, the underlying trend of operating results per share is also shown above, calculated by reference to the profit before taxation, but adjusted for minority interests.

3. Balance Sheet

A summary of the adjusted balance sheets of the Group at the relevant dates and of Oakwood at 30th September, 1979 is set out below:—

	The Group				
	1976	1977	1977	1978	1979
	£000				
Fixed assets					
Trade investments	885	858	858	874	1,408
Quoted investments at cost	28	47	—	—	80
	893	905	858	874	1,488
Current assets					
Stocks and work in progress	798	888	817	1,051	1,285
Debtors	1,181	1,243	1,489	1,376	2,017
Bank balances	—	—	—	—	422
Receivables on property sale	—	—	—	—	180
	1,889	1,943	2,496	2,427	3,803
Current liabilities					
Creditors	1,081	1,118	1,355	1,083	1,744
Bank overdraft (secured)	348	270	486	536	710
Taxation	50	15	80	54	79
	1,479	1,403	1,921	1,673	2,533
Net current assets	410	540	575	754	1,270
Total assets	1,303	1,445	1,433	1,628	2,758
Share capital	100	100	100	100	100
Reserves	120	140	143	168	244
	220	240	243	268	344

Notes

(a) Fixed Assets

	1976	1977	1977	1978	1979
Land and buildings, at valuation					
Freehold	157	181	238	581	554
Long leasehold	225	225	247	260	324
Short leasehold	17	13	16	17	3
Equipment, plant and vehicles, at cost	414	428	484	529	618
	813	827	883	1,327	1,499
Depreciation and amortisation	(230)	(229)	(905)	(532)	(833)
	583	598	978	795	666

The following professional valuations for the Group's land and buildings have been incorporated in its accounts at 30th September, 1979:—

	Date of valuation	Value
Freehold	21st March, 1977	£890
	28th December, 1977	88
Leasehold	31st December, 1979	388

The property in (a) was valued by G. L. Hearn & Partners on the basis of the Group disposing of its freehold interest: conditional purchase of the lease of the completed building, following redevelopment, upon normal full repairing lease terms at market rental. They carried out a further valuation amounting to £450,000 on 2nd April, 1980 on the basis of a sale in the open market with vacant possession and with the benefit of existing planning permission for office purposes. A further valuation by G. L. Hearn & Partners as at 2nd April, 1980 on the basis of open market value of the premises for existing use purpose amounted to £170,000. The valuations in (b) and (c) were carried out by G. L. Hearn & Partners and Philip James Associates respectively and both represent open market value on an existing use basis. None of the foregoing valuations reflect the cost of any development land tax or capital gains tax which might arise either on redevelopment or on disposal.

(b) Stocks and work in progress

	1976	1977	1977	1978	1979
Stocks	448	423	585	576	887
Work in progress	258	185	382	475	381
	708	608	967	1,051	1,268

Work in progress relates to Cloagh Smith and comprises the value of work done but not invoiced on both short-term and long-term contracts. The latter category amounted to £162,000 as at 30th September, 1979 and represents individual contracts which extend for more than one calendar year.

In arriving at the value of work in progress, amounts invoiced on account or approximately under section 27 of the Finance Act 1972 and in default of supplying to the Company the information thereby requested within 42 days after service of the said notice or such longer period as may be specified in the said notice for compliance therewith.

(c) Receivable on property sale

This represents the amount as at 30th September, 1979 arising from the sale of a property at current market value of £160,000 to Mr. and Mrs. E. D. Chambers agreed subsequent to the balance sheet date. Contracts have been exchanged to this effect and the total purchase price will be paid on completion prior to 18th June, 1980.

(d) Interest in subsidiaries

The interest of Oakwood in its subsidiaries at 30th September, 1979 consisted of:—

	£000
Shares at cost and valuation	418
Amounts due in subsidiaries (net)	(224)
	192

Subsidiaries include the following non-trading companies:—

	% Held
Cloagh Smith Strussing Services Limited	98
Oakwood Commercial Limited	100
Oakwood Securities (Pension Trustees) Limited	100
Midland Electrical Construction (Wharfedale) Limited (see (a) below)	100
Southem Computer Limited	100
Wolf Bros., Cloagh Smith Limited	88

Notes

(a) A Receiver was appointed to this company on 16th July, 1974 and it ceased trading on that date. Full provision has been made for all losses attributable to the Group.

(b) The book value of shares in subsidiaries does not include the amount attributable to the shares in Oakwood issued on 16th May, 1980 to acquire the minority interest in Frank Love (see also (vi) below).

(v) Deferred taxation

	1976	1977	1977	1978	1979
Accelerated capital allowance	34	30	39	40	248
Stock appreciation relief	15	—	82	118	115
A.E.T. receivable	—	—	—	—	(13)
Unutilised tax losses	—	—	—	—	(26)
	49	30	121	158	339

The potential amount of additional deferred taxation not provided for at 30th September, 1979 was as follows:—

	£000
Stock appreciation relief	188
Chargeable gains arising on the revaluation of freehold properties	153
	339

(vi) Share capital

The authorised, issued and fully paid share capital of Oakwood throughout the period covered by this report comprised 100,000 Ordinary shares of £1 each. On 16th May, 1980 the authorised share capital was increased to £650,000 and, following the issue of 22,140 and 369 Ordinary shares of £1 each in exchange for the acquisition of certain minority holdings in Frank Love and Cloagh Smith respectively, and in sub-division and capitalisation issued on that date, the issued share capital was increased to £500,000 divided into 2,000,000 Ordinary shares of 25p each.

(vii) Group reserves

	1976	1977	1977	1978	1979
Total at beginning of period as adjusted	770	782	843	1,428	1,864
Reserves in period					
(a) Retained profits shown in section 2 above	42	147	139	218	234
(b) Items included in the adjusted profits but not otherwise affecting present net assets	(48)	14	20	(89)	38
(c) Property revaluation/realisation surpluses	—	—	—	306	83
(d) Results of subsidiary excluded from adjusted profits	6	10	6	(10)	—
(e) Long leasehold depreciation written back	(13)	—	15	—	—
(f) Consolidation adjustments	—	—	—	—	—
Total end of period as adjusted	782	848	1,428	1,884	2,044

Amount included above in respect of the interest of minorities in Frank Love acquired by Oakwood on 16th May, 1980, but treated for the purpose of this report as attributable to the Group throughout

	1976	1977	1977	1978	1979
	214	247	388	428	469

Of the Group reserves shown above of £2,044,000 at 30th September, 1979, an amount of approximately £950,000 was not ordinarily distributable.

(viii) Contingent liabilities

Oakwood has guaranteed the bank overdraft of Cloagh Smith up to £200,000.

(ix) Capital commitments

The amount of capital expenditure at 30th September, 1979 and not provided in the accounts amounted to £161,601 of which Oakwood was committed to the extent of £161,101.

4. Dividends

No dividends have been paid or proposed by Oakwood during the period under review.

5. Accounts

No audited accounts of Oakwood or its subsidiaries have been made up for any period subsequent to 30th September, 1979.

Yours faithfully,

SPICER AND PEGLER
Chartered Accountants.

LETTERS RELATING TO THE PROFIT FORECAST

The following are copies of letters addressed to the Directors of Oakwood relating to the profit forecast:—

(i) From the reporting accountants:—

St. Mary Axe House,
56-60 St. Mary Axe,
London EC3A 8BJ

The Directors,
Oakwood Group Limited,
Gentlemen,

We have reviewed the accounting policies and calculations for the profit forecast of Oakwood Group Limited and its subsidiaries ("the Group") for the year ending 30th September, 1980, for which the Directors are solely responsible. The forecast, as referred to in the particulars dated 16th May, 1980, issued in connection with the listing of the Ordinary share capital of Oakwood Group Limited, includes the results shown by the unaudited management accounts for the six months ended 31st March, 1980.

In our opinion the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled using the assumptions made by the Board set out in the said particulars and is presented on a basis consistent with the accounting policies currently adopted by the Group.

Yours faithfully,

SPICER AND PEGLER
Chartered Accountants.

(ii) From Capel-Cure Myers Limited:—

Bath House,
Holborn Viaduct,
London EC1A 2EU

The Directors,
Oakwood Group Limited,
Gentlemen,

We refer to the profit forecast for the year ending 30th September, 1980 set out in the paragraph headed Profits and Forecasts, included in the document dated 16th May, 1980, issued in connection with the listing of the Ordinary share capital of Oakwood Group Limited.

We have discussed with you the policies and assumptions on which the profit forecast was made. We have also considered the latest dated 16th May, 1980 addressed to you from Spicer and Pegler regarding the accounting policies and calculations adopted in arriving at the profit forecast.

On the basis of the above we consider that the profit forecast, for which you are solely responsible, has been made after due care and consideration.

Yours faithfully,

For CAPEL-CURE MYERS LIMITED,
R. A. M. LEBMAN,
Director.

STATUTORY AND GENERAL INFORMATION

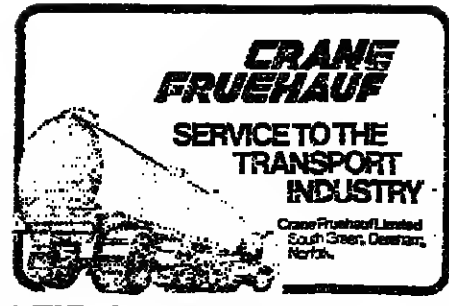
1. History and Capital Changes

Oakwood was incorporated in England on 10th June, 1964 as a private company with the name Lombard Development Company Limited, the name being changed to Lombard Development Limited on 3rd December, 1964, to Oakwood Securities Limited on 22nd December, 1971 and to the present name on 21st March, 1980. It was converted into a public company and adopted the Articles of Association of 16th May, 1980. Immediately before 16th May, 1980 the authorised share capital of Oakwood was £100,000 divided into 100,000 Ordinary shares of £1 each all of which were issued and fully paid. On that date:—

(i) the authorised share capital of Oakwood was increased to £650,000 by the creation of an additional 550,000 Ordinary shares of £1 each;

(ii) a total of 22,140 Ordinary shares of £1 each were issued credited as fully paid in consideration of the transfer to Oakwood of 36,668 Ordinary shares of £1 each in Frank Love pursuant to Contract No. (iv) referred to in paragraph 5 below;

(iii) 369 Ordinary shares of £1 each were issued credited as fully paid to Mr. G. A. Coleshill in consideration of the transfer by him to Oakwood of 1,000 Ordinary shares of £1 each in Cloagh



BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Index	Stock	Price	Yield
150	150 Treasury 1980-81	95.50	12.50
151	151 Treasury 1981-82	95.50	12.50
152	152 Treasury 1982-83	95.50	12.50
153	153 Treasury 1983-84	95.50	12.50
154	154 Treasury 1984-85	95.50	12.50
155	155 Treasury 1985-86	95.50	12.50
156	156 Treasury 1986-87	95.50	12.50
157	157 Treasury 1987-88	95.50	12.50
158	158 Treasury 1988-89	95.50	12.50
159	159 Treasury 1989-90	95.50	12.50
160	160 Treasury 1990-91	95.50	12.50

Five to Fifteen Years

Index	Stock	Price	Yield
200	200 Treasury 1980-81	95.50	12.50
201	201 Treasury 1981-82	95.50	12.50
202	202 Treasury 1982-83	95.50	12.50
203	203 Treasury 1983-84	95.50	12.50
204	204 Treasury 1984-85	95.50	12.50
205	205 Treasury 1985-86	95.50	12.50
206	206 Treasury 1986-87	95.50	12.50
207	207 Treasury 1987-88	95.50	12.50
208	208 Treasury 1988-89	95.50	12.50
209	209 Treasury 1989-90	95.50	12.50
210	210 Treasury 1990-91	95.50	12.50

Over Fifteen Years

Index	Stock	Price	Yield
250	250 Treasury 1980-81	95.50	12.50
251	251 Treasury 1981-82	95.50	12.50
252	252 Treasury 1982-83	95.50	12.50
253	253 Treasury 1983-84	95.50	12.50
254	254 Treasury 1984-85	95.50	12.50
255	255 Treasury 1985-86	95.50	12.50
256	256 Treasury 1986-87	95.50	12.50
257	257 Treasury 1987-88	95.50	12.50
258	258 Treasury 1988-89	95.50	12.50
259	259 Treasury 1989-90	95.50	12.50
260	260 Treasury 1990-91	95.50	12.50

Unrated

Index	Stock	Price	Yield
300	300 Treasury 1980-81	95.50	12.50
301	301 Treasury 1981-82	95.50	12.50
302	302 Treasury 1982-83	95.50	12.50
303	303 Treasury 1983-84	95.50	12.50
304	304 Treasury 1984-85	95.50	12.50
305	305 Treasury 1985-86	95.50	12.50
306	306 Treasury 1986-87	95.50	12.50
307	307 Treasury 1987-88	95.50	12.50
308	308 Treasury 1988-89	95.50	12.50
309	309 Treasury 1989-90	95.50	12.50
310	310 Treasury 1990-91	95.50	12.50

INTERNATIONAL BANK

Index	Stock	Price	Yield
350	350 Treasury 1980-81	95.50	12.50
351	351 Treasury 1981-82	95.50	12.50
352	352 Treasury 1982-83	95.50	12.50
353	353 Treasury 1983-84	95.50	12.50
354	354 Treasury 1984-85	95.50	12.50
355	355 Treasury 1985-86	95.50	12.50
356	356 Treasury 1986-87	95.50	12.50
357	357 Treasury 1987-88	95.50	12.50
358	358 Treasury 1988-89	95.50	12.50
359	359 Treasury 1989-90	95.50	12.50
360	360 Treasury 1990-91	95.50	12.50

CORPORATION LOANS

Index	Stock	Price	Yield
400	400 Treasury 1980-81	95.50	12.50
401	401 Treasury 1981-82	95.50	12.50
402	402 Treasury 1982-83	95.50	12.50
403	403 Treasury 1983-84	95.50	12.50
404	404 Treasury 1984-85	95.50	12.50
405	405 Treasury 1985-86	95.50	12.50
406	406 Treasury 1986-87	95.50	12.50
407	407 Treasury 1987-88	95.50	12.50
408	408 Treasury 1988-89	95.50	12.50
409	409 Treasury 1989-90	95.50	12.50
410	410 Treasury 1990-91	95.50	12.50

COMMONWEALTH AND AFRICAN LOANS

Index	Stock	Price	Yield
450	450 Treasury 1980-81	95.50	12.50
451	451 Treasury 1981-82	95.50	12.50
452	452 Treasury 1982-83	95.50	12.50
453	453 Treasury 1983-84	95.50	12.50
454	454 Treasury 1984-85	95.50	12.50
455	455 Treasury 1985-86	95.50	12.50
456	456 Treasury 1986-87	95.50	12.50
457	457 Treasury 1987-88	95.50	12.50
458	458 Treasury 1988-89	95.50	12.50
459	459 Treasury 1989-90	95.50	12.50
460	460 Treasury 1990-91	95.50	12.50

LOANS

Index	Stock	Price	Yield
500	500 Treasury 1980-81	95.50	12.50
501	501 Treasury 1981-82	95.50	12.50
502	502 Treasury 1982-83	95.50	12.50
503	503 Treasury 1983-84	95.50	12.50
504	504 Treasury 1984-85	95.50	12.50
505	505 Treasury 1985-86	95.50	12.50
506	506 Treasury 1986-87	95.50	12.50
507	507 Treasury 1987-88	95.50	12.50
508	508 Treasury 1988-89	95.50	12.50
509	509 Treasury 1989-90	95.50	12.50
510	510 Treasury 1990-91	95.50	12.50

Public Bond and Ind.

Index	Stock	Price	Yield
550	550 Treasury 1980-81	95.50	12.50
551	551 Treasury 1981-82	95.50	12.50
552	552 Treasury 1982-83	95.50	12.50
553	553 Treasury 1983-84	95.50	12.50
554	554 Treasury 1984-85	95.50	12.50
555	555 Treasury 1985-86	95.50	12.50
556	556 Treasury 1986-87	95.50	12.50
557	557 Treasury 1987-88	95.50	12.50
558	558 Treasury 1988-89	95.50	12.50
559	559 Treasury 1989-90	95.50	12.50
560	560 Treasury 1990-91	95.50	12.50

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4A 3DF

Telex: Editorial 8954871. Advertisements: 885033. Telegrams: Finamtime, London.

Telephone: 01-248 8000.

Frankfurt Office: The Financial Times (Europe) Ltd., Frankfurter 68-72, 6000 Frankfurt am Main 1.

Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7596 1.

EDITORIAL OFFICES

Amsterdam: P.O. Box 1256, Amsterdam-C. Tel: 1627 Tel: 276 796.

Birmingham: 37 George Street, Birmingham 3. Tel: 210099.

Bristol: 110/112 Broad Street, Bristol 1. Tel: 210099.

Buenos Aires: 110/112 Broad Street, Buenos Aires 1. Tel: 210099.

Cairo: P.O. Box 2040, Cairo. Tel: 93330.

Dublin: 9 Fitzwilliam Square, Dublin 2. Tel: 765331.

Edinburgh: 37 George Street, Edinburgh 3. Tel: 651-226 4120.

Frankfurt: Frankfurter 68-72, Frankfurt 1. Tel: 416052.

Hamburg: 110/112 Broad Street, Hamburg 1. Tel: 210099.

Hong Kong: 110/112 Broad Street, Hong Kong 1. Tel: 210099.

Lisbon: 110/112 Broad Street, Lisbon 1. Tel: 210099.

London: 10 Cannon Street, London EC4A 3DF. Tel: 01-248 8000.

Madrid: 110/112 Broad Street, Madrid 1. Tel: 210099.

Manchester: 110/112 Broad Street, Manchester 1. Tel: 210099.

New York: 110/112 Broad Street, New York 1. Tel: 210099.

Paris: 110/112 Broad Street, Paris 1. Tel: 210099.

Rome: 110/112 Broad Street, Rome 1. Tel: 210099.

Stockholm: 110/112 Broad Street, Stockholm 1. Tel: 210099.

Tehran: 110/112 Broad Street, Tehran 1. Tel: 210099.

Washington: 110/112 Broad Street, Washington 1. Tel: 210099.

Zurich: 110/112 Broad Street, Zurich 1. Tel: 210099.

Overseas advertisement representatives in Central and South America, Africa, the Middle East, Asia and the Far East.

For further details, please contact: Overseas Advertisement Department, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF.

SUBSCRIPTIONS

Copies obtainable from newspapers and bookstalls worldwide or on regular subscription from Subscription departments: Financial Times in London, Frankfurt and New York.

For Share Index and Business News Summary in London, Birmingham, Liverpool and Manchester, Tel: 246 8025.

FT SHARE INFORMATION SERVICE

LOANS—Continued

Index	Stock	Price	Yield
600	600 Treasury 1980-81	95.50	12.50
601	601 Treasury 1981-82	95.50	12.50
602	602 Treasury 1982-83	95.50	12.50
603	603 Treasury 1983-84	95.50	12.50
604	604 Treasury 1984-85	95.50	12.50
605	605 Treasury 1985-86	95.50	12.50
606	606 Treasury 1986-87	95.50	12.50
607	607 Treasury 1987-88	95.50	12.50
608	608 Treasury 1988-89	95.50	12.50
609	609 Treasury 1989-90	95.50	12.50
610	610 Treasury 1990-91	95.50	12.50

FOREIGN BONDS & RAILS

Index	Stock	Price	Yield
650	650 Treasury 1980-81	95.50	12.50
651	651 Treasury 1981-82	95.50	12.50
652	652 Treasury 1982-83	95.50	12.50
653	653 Treasury 1983-84	95.50	12.50
654	654 Treasury 1984-85	95.50	12.50
655	655 Treasury 1985-86	95.50	12.50
656	656 Treasury 1986-87	95.50	12.50
657	657 Treasury 1987-88	95.50	12.50
658	658 Treasury 1988-89	95.50	12.50
659	659 Treasury 1989-90	95.50	12.50
660	660 Treasury 1990-91	95.50	12.50

AMERICANS

Index	Stock	Price	Yield
700	700 Treasury 1980-81	95.50	12.50
701	701 Treasury 1981-82	95.50	12.50
702	702 Treasury 1982-83	95.50	12.50
703	703 Treasury 1983-84	95.50	12.50
704	704 Treasury 1984-85	95.50	12.50
705	705 Treasury 1985-86	95.50	12.50
706	706 Treasury 1986-87	95.50	12.50
707	707 Treasury 1987-88	95.50	12.50
708	708 Treasury 1988-89	95.50	12.50
709	709 Treasury 1989-90	95.50	12.50
710	710 Treasury 1990-91	95.50	12.50

CANADIANS

Index	Stock	Price	Yield
750	750 Treasury 1980-81	95.50	12.50
751	751 Treasury 1981-82	95.50	12.50
752	752 Treasury 1982-83	95.50	12.50
753	753 Treasury 1983-84	95.50	12.50
754	754 Treasury 1984-85	95.50	12.50
755	755 Treasury 1985-86	95.50	12.50
756	756 Treasury 1986-87	95.50	12.50
757	757 Treasury 1987-88	95.50	12.50
758	758 Treasury 1988-89	95.50	12.50
759	759 Treasury 1989-90	95.50	12.50
760	760 Treasury 1990-91	95.50	12.50

BANKS AND HIRE PURCHASE

Index	Stock	Price	Yield
800	800 Treasury 1980-81	95.50	12.50
801	801 Treasury 1981-82	95.50	12.50
802	802 Treasury 1982-83	95.50	12.50
803	803 Treasury 1983-84	95.50	12.50
804	804 Treasury 1984-85	95.50	12.50
805	805 Treasury 1985-86	95.50	12.50
806	806 Treasury 1986-87	95.50	12.50
807	807 Treasury 1987-88	95.50	12.50
808	808 Treasury 1988-89	95.50	12.50
809	809 Treasury 1989-90	95.50	12.50
810	810 Treasury 1990-91	95.50	12.50

BANKS & HP—Continued

Index	Stock	Price	Yield
850	850 Treasury 1980-81	95.50	12.50
851	851 Treasury 1981-82	95.50	12.50
852	852 Treasury 1982-83	95.50	12.50
853	853 Treasury 1983-84	95.50	12.50
854	854 Treasury 1984-85	95.50	12.50
855	855 Treasury 1985-86	95.50	12.50
856	856 Treasury 1986-87	95.50	12.50
857	857 Treasury 1987-88	95.50	12.50
858	858 Treasury 1988-89	95.50	12.50
859	859 Treasury 1989-90	95.50	12.50
860	860 Treasury 1990-91	95.50	12.50

CHEMICALS, PLASTICS—Cont.

Mar	Am	Gilt/Bilt 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
May	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jun	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jul	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Aug	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Sep	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Oct	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Nov	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Dec	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Jan	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Feb	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Mar	Am	Consolidated T.M. 30c	172	2.3	10.5	8.7
Apr	Am	Consolidated T.M. 30c	17			

